NOTE

This Microfiche meets the quality requirements of the American National Standard for Microfiche of Documents (ANSI PH5.9-1975). However, because of imperfections in the document from which it was made, it contains images that are illegible or difficult to read. The source document for this microfiche is the best copy that could be obtained prior to filming.

CIS Congressional Information Service, Washington, D.C.

S. Hrg. 100-773, Pt. 3

DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: THE CARTEL, HAITI AND CENTRAL AMERICA

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
TERRORISM, NARCOTICS AND INTERNATIONAL
COMMUNICATIONS

OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

APRIL 4, 5, 6, and 7, 1988

PART 3

Printed for the use of the Committee on Foreign Relations

U.S. GOVERNMENT PRINTING OFFICE
86-692 WASHINGTON : 1988

S381-18

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, DC 20402

COMMITTEE ON FOREIGN RELATIONS

CLAIBORNE PELL, Rhode Island, *Chairman*

JOSEPH R. BIDEN, Jr., Delaware
PAUL S. SARBANES, Maryland
ALAN CRANSTON, California
CHRISTOPHER J. DODD, Connecticut
JOHN F. KERRY, Massachusetts
PAUL SIMON, Illinois
TERRY SANFORD, North Carolina
BROCK ADAMS, Washington
DANIEL P. MOYNIHAN, New York

JESSE HELMS, North Carolina
RICHARD G. LUGAR, Indiana
NANCY L. KASSEBAUM, Kansas
RUDY BOSCHWITZ, Minnesota
LARRY PRESSLER, South Dakota
FRANK H. MURKOWSKI, Alaska
PAUL S. TRIBLE, Jr., Virginia
DANIEL J. EVANS, Washington
MITCH McCONNELL, Kentucky

Geryld B. Christianson, *Staff Director*
James P. Lucier, *Minority Staff Director*

Subcommittee on Terrorism, Narcotics and International Communications

JOHN F. KERRY, Massachusetts, *Chairman*

BROCK ADAMS, Washington
DANIEL P. MOYNIHAN, New York

MITCH McCONNELL, Kentucky
FRANK H. MURKOWSKI, Alaska

CONTENTS

Page

APRIL 4, 1988

Blandon, Jose, former Consul General of Panama to the United States 3
Sosa, Hon. Juan, Ambassador to the United States from Panama 22
McNeil, Hon. Francis J., former United States Ambassador to Costa Rica 34

APRIL 5, 1988

Mayer, Martin P., Author, "The Bankers," New York, NY 63
Vogel, Michael Paul, Federal prisoner, accompanied by Alan Chaset, Esq. 76

AFTERNOON SESSION

Quintana, Osvaldo, Ocean International Seafood, Miami, FL, accompanied by Charles Roberts 120

APRIL 6, 1988

Rodriguez, Ramon Milian, Federal prisoner 165
Palmer, Michael B., Federal prisoner, accompanied by Axel Kleiboemer, Esq... 184

APRIL 7, 1988

Betzner, Gary, Federal prisoner, accompanied by Sheldon Yavitz, Esq................ 240

AFTERNOON SESSION

Morales, George, Federal prisoner, accompanied by Sheldon Yavitz, Esq. 287

APPENDIX

Lopez, Raphael G., letter from, to Ralph D. Martin, Department of Justice, dated November 14, 1986 315
McNeil, Francis J., former United States Ambassador to Costa Rica, prepared statement 316
Airport Key for August 17, 1987 (document), Costa Rican Ministry of Public Works and Transportation 327
Kerry, Hon. John F., letter from, to William von Raab, dated July 31, 1987...... 329
Parkinson, Charles R., Associate Commissioner, letters from, to Senator Kerry:
  Dated August 5, 1987 329
  Dated August 10, 1987 330
Keating, Francis A., III, Assistant Secretary of Enforcement, Department of the Treasury, letter from, to Senator Kerry, dated November 17, 1987 331
D'Amato, Hon. Alfonse M., prepared statement 332
Strength of the Defenses of Panama (paper in Spanish) 334
United States District Court for the District of Columbia court order 335
Exhibit Nos. 1 through 13 (xerox of pictures of airplanes) 336
Records of Vortex Aircraft Sales and Leasing Co. 341

DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: THE CARTEL, HAITI AND CENTRAL AMERICA

MONDAY, APRIL 4, 1988

U.S. Senate,
Subcommittee on Terrorism, Narcotics and
International Operations
of the Committee on Foreign Relations,
Washington, DC

The subcommittee met at 10:08 a.m. in room SH-216, Hart Senate Office Building, Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senator Kerry.

Also present: Senator D'Amato and Jack A. Blum, special counsel.

Senator Kerry. These hearings of the Subcommittee on Narcotics, Terrorism and International Operations of the Foreign Relations Committee will come to order.

I was informed that Senator D'Amato is on his way from the airport. He is coming down and is slightly delayed. I was trying to allow him time to be able to be here for the beginning.

Let me just make a couple of brief comments by way of introduction to this week and where we are going and where we have been. Six weeks ago, this subcommittee held the first set of hearings on international drug trafficking, and at the beginning of those hearings I indicated the literally frightening degree to which narcotrafficking and the narcodollar has permeated the everyday affairs of countries that we deal with.

I also stressed at that time that this was a more serious threat than many of those with which we have been preoccupied in the daily dialog of this country these past few years.

In some ways, some people may feel that we have learned and heard too much about drugs lately. But drugs are literally tearing at the fabric of American life. They are killing adult and child. They are undermining our institutions. They are filling our jails. They are depleting our national energy and our creativity. And they are costing us billions of dollars in various social costs.

In recent weeks as we have watched events unfold in Panama, we have come to understand even more, about the scope of the criminal enterprise. We have seen how it threatens whole countries and how it upsets the stability of an already very fragile hemisphere.

These hearings continue today in an effort to further shed light on this scourge, to better understand its scope and its nature, so that we can better determine what we are going to do about it, if in fact we are really going to respond to it.

So, we begin today an examination that picks up where we left off. We will look at additional countries. We will also revisit Panama briefly with Jose Blandon in order to literally pick up where we left off and to view where the situation is today, as well as to touch on some matters which we were not able because of time constraints to go into during the last session.

It seems to me that through all of the exercise of the last week and the events of the last few weeks, it is clear that one thing leaps out at all of us, and it is a tragic recognition. Despite all the rhetoric, despite a good beginning at education in this country, despite a congressional law passed last year, despite all of the talk about a war on drugs, there has not been a real war.

Drugs have not been the priority that public officials have said they were. That will become even more clear as we examine not only what has happened in other countries, but as we examine how we ourselves have made decisions that have put us where we are.

And I think that will be one of the most interesting parts of these hearings. We have a great many witnesses that we will hear from. We will hear from Jose Blandon, we will hear from former Ambassador to Costa Rica Francis McNeil. We will hear from a number of people that have been incarcerated and some who are not incarcerated, who have themselves been involved in both the narcotics trafficking as well as some other efforts which have resulted in the problems that I have talked about.

Senator Bob Graham of Florida has a specific interest in Haiti and has asked that I postpone certain portions of Haiti until he returns from a trip to Moscow. I have agreed to do that, and we will touch on Haiti in the course of this week, but we will complete Haiti upon his return.

In addition, Senator Mitch McConnell, who is the ranking member of this committee, has business in his State and is unable to be here for a good portion of it. Therefore, I have agreed to postpone part of the reappearance of Ramon Milian Rodriguez and others until Monday of next week.

Mr. Rodriguez will nevertheless appear this week as to certain matters that are important to the general inquiry.

Finally, Jose Blandon is back with us, and I am delighted to welcome you back, Mr. Blandon.

For those who were not here previously, let me explain that we have simultaneous translation that has been provided us by the State Department. We will proceed so that, for those of you who are in the audience who wish to share the translation as we go along, there are headsets available to everybody. And one channel will be English to Spanish, the other is Spanish to English, simultaneous.

And we will proceed through that means, although, Mr. Blandon, you and I have conversed on many occasions in English. If you feel you would like to do so at this time, we obviously invite you to do so at any time.

I would ask you if you would stand, please, so that I could reswear you. Would you raise your right hand, please.

[Senator Kerry swears Mr. Blandon.]

Senator KERRY. Thank you, Mr. Blandon.

STATEMENT OF JOSE BLANDON, FORMER CONSUL GENERAL OF PANAMA TO THE UNITED STATES

[Testimony of Mr. Blandon given through an interpreter.]

Senator KERRY. Would you please state your full name and identify yourself for the record.

Mr. BLANDON. My name is Jose Blandon Castilo.

Senator KERRY. Mr. Blandon, you are the same Jose Blandon who testified here before this committee about 6 weeks ago?

Mr. BLANDON. Yes.

Senator KERRY. Now, Mr. Blandon, at that time you told us a considerable amount about the specifics of General Noriega's involvement in narcotics trafficking. We did not, however, discuss a great deal about the money-laundering process itself, nor did we discuss some of the involvements with other countries, although we did touch on aspects of General Noriega's involvement in gun-running and his links to Cuba.

Today we would like to explore a number of new areas which you previously did not go into. But specifically I want to pursue them because they are important in terms of corroborating the testimony of other witnesses.

Let me just interrupt my own hearings here to welcome Senator D'Amato.

Senator D'Amato—as I explained to you, Senator McConnell is the ranking member, who is not here. Senator D'Amato is the ranking member of the Senate Drug Caucus. He has had a long participation in the investigation with respect to Panama and a long interest in this area.

And I am delighted at his help. He has been extremely helpful, both his staff and he himself, to our investigative efforts, and I am delighted to welcome him here again for this week.

Senator D'Amato, do you want to open?

Senator D'AMATO. Mr. Chairman, let me say that when 2 months ago you first held these hearings, there was a great deal of skepticism. I heard many people approach me and even some of our colleagues with respect to what the useful purpose would be that would be served.

It is my belief, Mr. Chairman, that you have demonstrated quite clearly and convincingly the immense power and the corrupting influence of the international drug cartel. And indeed, we owe this committee and yourself personally a debt of gratitude for persisting in not just 1 or 2 days of headline grabbing, but the day-in and day-out work that you and your staff have continued behind the scenes, in deposing the various witnesses, in laying the format so that one can so clearly demonstrate what is taking place.

And maybe the dawn of an awakening is striking our communities and some of our leaders, I would hope, as we continue to hear of the incredible violence that breaks out in community after community throughout our land.

And Mr. Chairman, let me suggest that it is directly tied to this international drug cartel. Let me also suggest to the doubting Thomases who initially—and by the way, let us put in the record, those in the defense community and establishment, those in the intelligence community and establishment, the old boy network, who were so quick to denigrate anyone who could possibly on any way cast aspersions upon maybe why they have not risen to the scene, why they have not identified the drug ring as a very serious one, why they were dealing, for example, for so many years with Noriega and others that your testimony in fact has demonstrated.

And so Mr. Blandon, whose credibility has been established without doubt, was first characterized as some kind of powerseeking person who had political aspirations. We had other witnesses whose motivations were questioned.

And now that in some cases Jose Blandon's prophecies as to how Noriega not only operated, but would operate in the future, and it has been borne out, why, those critics have seemed to have somewhat quieted down and melted away.

I would suggest, though, that instead of them attempting to protect turf and what their past actions were or should have been, that they would become more concerned in the business of the people, how to remedy the situations that exist.

Mr. Chairman, I have a lengthier statement and we have a lot of business at hand, and I would ask that I be permitted to submit the statement as if read in its entirety. And I look forward to working with you in the days and weeks and months ahead.

[The prepared statement of Senator D'Amato may be found in the appendix.]

Senator KERRY. Thank you very much, Senator D'Amato. Without objection, your full testimony will be made a part of the record, and I appreciate your comments very, very much.

I might add that staff here, led by Jack Blum and Kathleen Smith, have done just a superb job, totally overworked, without resources. And it is really remarkable, what they have been able to put together. And I think this week will help to corroborate that.

There will be some fascinating testimony and some chilling testimony, some of which will cause us, I think, to come to a new understanding about where and how we have to make changes in order to deal with this problem.

Let me also remind people, this is not a court of law and we are not subject to the rules of evidence. But with respect to hearsay, I have endeavored in the first week of hearings to try to be stricter than one might be usually. We are not trying to paint a story that is not without at least significant circumstantial linkages, where there is not direct evidence.

And I think where there may be some doubts in one person's testimony, by the end of the week where there have been several, those doubts will be minimized.

Mr. Blandon, I want to remind you, as I will remind witnesses through the week, we're not looking for prearranged or any kind of specific answers. We want the truth. We want to know what's happening. We don't want things embellished. We don't want things shaded for any political side whatsoever.

These hearings have been dedicated to letting the chips fall where they may, and that is precisely what we're going to do, is let the chips fall where they may.

What we want are facts and what you have heard, know, while I will accept, obviously, testimony that you have heard other people talking about and so forth, because that's the nature of a hearing.

Now, Mr. Blandon, first before we move to discussion of the Medellin cartel influence, before we discuss the money laundering which we want to go into with you more, before we discuss some aspects of the relationship with Fidel Castro, and finally some of the aspects of Japan and its links to General Noriega, I would like to ask you quickly, because you are here and this is a critical moment, on your perceptions where we are with respect to the process of Panama today and the removal of General Noriega.

You and I have met, along with Senator D'Amato and others, over the course of these past weeks. You have been meeting with the administration. The opposition has been working diligently.

But I am concerned. Secretary Shultz is in the Middle East. Defense Secretary Carlucci is in Morocco. The Miami is on the West Coast. There seems to be a dispersal of energy and of leadership.

These are critical moments. We are either on the line with respect to Panama or we are not. On the front pages of the New York Times today, as well as in recent days, we have been reading what Senator D'Amato and I asserted last week at a press conference, which is that there is a major division within the administration with respect to policy.

At the outset of our approach on General Noriega, we asserted very clearly that the past relationship of the CIA, the DIA, the SouthCom military network to General Noriega is part of what has emboldened him, is part of what has allowed him to believe that he can get away with what he has been able to do.

I feel that the ambivalence we read on the front pages of our newspapers of our administration policy merely reinforces in him the very perceptions which have led him to hold on in the first place.

And so I am disturbed about policy. Senator D'Amato is disturbed about policy. This may be one of those critical moments that we have had to seize that is being lost. It took the protection of some potentially graduating doctors in Grenada to call for action. It took a lot less than that with respect to 7½ years of effort against Nicaragua.

And I think the question has to be asked, Why it is when a drug baron of the importance of General Noriega, who has robbed people of their democracy, is just sitting there thumbing his nose at the people of his country, as well as a country which has indicted him for drugrunning, what is our policy?

And I think that is a legitimate question.

So, in light of that opening statement and those fears that I express about where we are, I would like to ask you your perceptions of where we are in Panama and what is happening.

Mr. **Blandon**. Thank you very much, Mr. Chairman, Senator D'Amato.

In the first place, I would like to state that, since the last time that I was here in the hearings, not only in my country but also in other countries important events have taken place that have confirmed the seriousness of the drug problem and a general strategy that the Medellin cartel and its associates have unleashed in Central America, the Caribbean, and the rest of Latin America.

In particular, the Panamanian situation at present is a reflection of the extent to which the forces of drugs and the extent to which a group of corrupted military officials extended their power against a people in the Republic of Panama.

Mr. Chairman, the people in general repudiate the Noriega government. The Church has stated its objection to his presence in Panama. The business sectors have stated their objection to Noriega's presence in Panama. The working sectors have expressed themselves against Noriega also.

A great political alliance has been forged that includes opposition parties and government parties to struggle against General Noriega. So that the only thing that guides and maintains Noriega in power is force.

But even within those armed forces, in recent weeks there was a military uprising that clearly demonstrated that even within the defense forces there are serious problems for Noriega.

The situation in the Republic of Panama, Mr. Chairman, is extremely serious. The economic measures have obviously had their impact and have for the first time endangered the Noriega government. I think that has been effective.

Our country has paid a high price, but I have no doubt that it is willing to continue to pay this price. Nonetheless, there is a fundamental fact that is of concern to we Panamamanians because our people have paid a great price in terms of sacrifice. All of us have risked our well-being, our families, our children, for a struggle for democracy and peace in Panama.

And thus our country is concerned about the fact that the U.S. Government has not yet defined a clear, precise policy with respect to how to confront this problem, which is not the problem of Noriega versus the United States, but Noriega versus the people of Panama and the cartel of Medellin against United States society.

For us, then, the Panamanian situation is a situation in which the lack of decisionmaking in some parts of the U.S. Government may make difficult and even more dangerous the national interests of our country and the national interests of the United States.

Nonetheless, I think that in recent weeks, as a result of these hearings and these discussions, we have increased the awareness in the United States and in its political leaders of a problem. In the recent past, the United States has not been aware of the extent of the danger represented by the strategy unleashed by the Medellin cartel in the early 1980's.

I think that there has been a lack of knowledge of the real danger that they represent to the United States. And this is apparent today in my country, but it is also apparent in the link between Panama, Noriega, Cuba, the Sandinistas, Haiti.

A week ago the Venezuelan minister of justice had to step down because of involvement in drugs. We find that last year the increase in drug production was 10 percent. In general, almost all of the countries of Latin America are in one way or another involved.

So that the struggle in Panama is not a struggle of only the Panamanian people. For me, the Panamanian people have made a decision. I think that we will continue struggling, that there will be difficult days.

But we find it strange that there is still not a defined policy with respect to Panama, Mr. Chairman.

Senator **Kerry**. When you say, Mr. Blandon, that there isn't a defined policy, today in the newspaper President Delvalle was quoted as saying that he thought the current sanctions were enough and that they would do the job. Do I understand that you disagree with that?

Mr. **Blandon**. The problem of President Delvalle, with the statements which you have read in the New York Times, are based on the fact that Delvalle himself, because of his present situation, because he is isolated from the discussions and the happenings which are taking place. That is why we last week——

Senator **Kerry**. When you say isolated, are you referring to the fact that he is in hiding and at peril; is that correct?

Mr. **Blandon**. Yes, that is correct, isolation in the sense that he is not in contact with the rest of the country and through the various political parties, through the various organizations, that have supported the president. In other words, he is hidden, he is in hiding.

And therefore we discussed with the United States the manner of how to solve this problem, and for a week we have been awaiting a reply.And this reply has not yet been received.

Senator **D'Amato**. Mr. Chairman, I think it is important that we get some kind of an understanding as to how the Panamanian defense forces and the people of Panama view what is taking place as a result of what might appear to be indecisive action on the part of the United States.

I would like to preface that statement and question, because I would like to get Mr. Blandon's opinion, if he believes that the Panamanian people are beginning to doubt the credibility of the United States in its actions in dealing with Noriega or our resolve, No. 1. That is a question I would like to ask.

And No. 2, I would like to ask Mr. Blandon if he feels that we have been sending mixed signals to the Panamanian people and to those who look to the United States for help in getting rid of Noriega.

Mr. **Blandon**. Certainly, on your last question, there is no doubt that the recent developments this past week have sent signals to Noriega regarding the position of the United States regarding Panama. The feeling in my country regarding the United States is a feeling which is based on many years of friendship and cooperation.

But our people also view with concern that the United States is abandoning it in a struggle which is not only in the Panamanian interest, but because of the thousands of dollars of drugs which come to the United States using the facilities which Noriega has created in Panama basically affects the youth of the United States.

And the fight of our people is also a fight for the youth of the United States. Of course, it is true that in our country there is a concern, and this feeling can be turned against the United States.

I have, Mr. Senator, here before me a note which General Noriega sent to the Embassy of Panama in Washington, in which Noriega makes a series of proposals, which I am going to read three or four, so that you can have an idea of how Noriega tries to trick in the United States.

Senator KERRY. Mr. Blandon, let me just ask you, would you identify what it is you are reading from?

Mr. BLANDON. This is a document from the defense forces of Panama headquarters, February of this year, and it states——

Senator KERRY. Where did the document come from?

Mr. BLANDON. It comes from the defense forces of Panama and was sent to the Embassy of Panama in Washington.

Senator KERRY. So, it was received by Ambassador Sosa prior to removal of Delvalle; is that accurate?

Mr. BLANDON. That is correct. It was sent after the indictment in Miami. Now, on the views of General Noriega regarding the laws of the United States, Noriega states:

> I do have evidence, proof, that politicians of the United States of America have been supporting lawyers, politicians in Panama involved in drug trafficking, and I shall demonstrate this when it is appropriate. I do have proof of the political manipulation of the Government of the United States regarding drugs, regarding the laundering of money, arms traffic which goes to the Latin American countries.
>
> I do have proof that while the Government of the United States should be concerned about the human rights in Central America, it has not protected the brothers in Guatemala from invasion of drug traffickers in that country, in which there had never been marijuana and cocaine processing and poppy plantations.
>
> I do have proof that the lying policy against drugs of the United States has not protected our Honduran brothers from the invasion of cocaine, which is brought from Honduras to the United States, leaving ports which are just a few kilometers from the U.S. military bases which are located in Honduras.

Senator KERRY. Mr. Blandon, let me just ask you to go a little bit slower so that we can all follow you more easily. Thank you.

Mr. BLANDON. Noriega says:

> I have proof that the policy of the Government of the United States shows itself to the world as a protector of drugs leaving, abandoned its Latin American allies, and thus we see how Costa Rica has been converted to drug trafficking.

I should like to submit this for the record. I read some of the points, but what jumps out is that General Noriega says that he has proof, proof, evidence of the involvement of governmental authorities in the United States in drugs in Guatemala, in Honduras, and in Costa Rica.

And that document makes no mention of the involvement of Noriega with Cuba, nor does it make any mention of his involvement with the Medellin cartel.

To my knowledge of Noriega and his problems, I have no doubt that Noriega has some proof of that, because he is well aware of this problem of the drugs.

Senator KERRY. Let me interrupt you for one second if I can.

Ambassador Sosa is in the audience here somewhere, am I correct? Ambassador Sosa, is this—well, I will ascertain that later from you, if I can, as to this document.

But I will place this in the record as exhibit—this will be exhibit No. 1 in the second series of hearings and it will be so marked.

[The material referred to appears in the appendix.]

Senator **Kerry**. We will proceed to verify the authenticity of this at a later date.

Let me ask you a question, though——

Mr. **Blandon**. Excuse me, sir. In submitting this document, what I wish to say is that the concern which we Panamanians have is that they are trying to trick or to confuse U.S. public opinion. Later on in this hearing, I shall present evidence as to how Fidel Castro also is trying to confuse U.S. opinion.

There is a fact in this past week's discussions which really jumped out to us, and that is the lack of knowledge, the deep lack of knowledge in military circles of the United States and in the intelligence circles in the United States regarding the realities of the Panamanian defense force.

They have operated on the basis——

Senator **Kerry**. What do you mean by "realities"?

Mr. **Blandon**. When I refer to realities, I refer to the fact that the relationship of this with the defense forces has been exclusively with Noriega and with certain other officials in the relationship.

Senator **Kerry**. What is the impact of that?

Mr. **Blandon**. The impact of this is that there has been created almost as a truth that the change of Noriega will introduce a level of uncertainty, and that there are no officials in the defense forces in Panama to substitute for Noriega, which is completely false.

Senator **Kerry**. So, what you are saying is that it is your perception there is a reluctance on the part of the American military to sever the tie with Noriega because they do not know what comes after? Is that the essence of what you have just said?

Mr. **Blandon**. That is a part of the problem, a very serious part. It is an error.

Senator **Kerry**. I want to understand precisely what you have just said, then. Could you reframe your comment to us?

Mr. **Blandon**. The reports which the intelligence community in the United States has regarding the defense forces of Panama are reports which are very superficial. They concentrate their attention on Noriega as the commander and a limited group of officials, of officers.

This fact makes that any agency will be concerned regarding any future of the defense forces because they do not know what will be the leadership which will succeed General Noriega. The danger of this, Mr. Chairman, is that in practice more than 80 percent of our military personnel individually is better than Noriega in professional terms and in human terms.

This fact, it has ignored the fact that the armed forces of Panama have officials who are capable of taking Noriega's place and guaranteeing the democratic process because they are not involved with drugs.

Further, they have been professionally trained for such service. In the conversations which we had last week, it is clear, this lack of understanding, which I think is a very serious fault of the agencies of the United States.

Senator **Kerry**. Let me ask you one other tough question if I can. You had great access to General Noriega.

Mr. **Blandon**. Correct.

Senator KERRY. You had almost all of the intelligence documents during the eighties?

Mr. BLANDON. Correct.

Senator KERRY. And you have testified significantly here as to General Noriega's involvement in money laundering and drugs and so forth. Is there any truth to any of the allegations made by General Noriega as to information he has about U.S. complicity in or involvement in or knowledge of—is there anything that he has that could embarrass any of those people he cited in that document?

Mr. BLANDON. Yes, indeed.

Senator KERRY. Now, I have never asked you that question before, have I?

Mr. BLANDON. Never.

Senator D'AMATO. Mr. Chairman, in pursuing both lines, lines of questioning that you have brought up, I would like to put in the form of a question a statement. Mr. Blandon, is it your opinion that some Panamanians have the feeling that the United States, and particularly the Defense Department and the intelligence agency, have not recommended more forceful action in dealing with Noriega because they are concerned that he has information that would prove embarrassing to them and to the United States?

Mr. BLANDON. Well, General Noriega himself has stated that. You will recall, Mr. Senator, that the lawyers of Noriega when they arrived in Miami from Panama said that Noriega had shown to them proofs which could endanger and affect the elections of the United States.

Personally, I believe that in the case of the Defense Department, the basic concern lies in what would be the succession, because the intelligence information regarding the defense forces is very, as I said, very limited. In addition, Noriega prepared reports which he sent to the United States against Panamanian officials who might be possible successors of him, linking them to leftist policies, linking them to extreme positions.

This is the case of officers who today are in jail because of the coup d'etat. They have been beaten because of the drug trafficking group which is in power.

So, here there has been a process in this case, and this seems to be also because of the discussions which were had last week, that this is the principal problem. That is why we point this out as a very serious error, as is also the error of underestimating the effort of the Medellin cartel to subvert order in our country and to overestimate the ideological action of communism, because what has happened in practice——

Senator D'AMATO. Mr. Chairman, I think it is worthy of note at this point to take this opportunity to again reinforce, I think, what Mr. Blandon has indicated as what has been over a period of time the cry of the Defense Department and others and people from the National Security Council to this Senator personally: Who is going to take Noriega's place?

That has been stated to this Senator directly from rather high officials in these agencies on more than one occasion, and I think it is the attitude that permeated, and I would hope that it has changed recently. I hope that it has changed, but I wonder if it really has.

And I point out something that should not be lost in the translation of what Mr. Blandon has indicated, because for far too long not only have we heard that cry, but we have also had anyone who comes forward or the possible majors and colonels within the defense establishment and outside painted as leftists, painted as Communists, painted as very real and more substantial threats to the United States and its interests than Noriega.

And nothing could be further from the truth in most cases. They are those people who have leadership capabilities and qualities that Noriega has seen to denigrate.

And we have right within the Defense Department or people on contract to the Defense Department who seem even at this time bent on carrying that kind of message and those distortions. And so it must send a terrible signal to the opposition in Panama when this is coming through continually.

I think it is rather important that we not lose sight of the fact that so many who are capable of leadership and taking it up have been actually painted as people who would pose a greater threat by someone who himself today has actively been promoting the interests of the Cubans, the Soviets, the leftists within.

And it may be it has taken these final acts within the last several weeks of a man of desperation to wake us up to the distortions the one Nestor Sanchez seems to have created over a period of time.

Mr. Sanchez, being an individual who up until rather recently worked directly for the Defense Department and may or may not be on contract at the present time, and who seems to still be in the position to leak out information when the Defense Department meets with a group of majors who come from Panama, who attempt to give to the Defense Department information as to how they could use it.

I would like to just be supportive of what I think Mr. Blandon has made in the way of a very comprehensive analysis. And I believe with one further thought, Mr. Chairman, as it relates to this:

Mr. Blandon, do you believe that the Defense Department, the people here in our Defense Department, are speaking to a sufficient breadth, enough Panamanian people to get the correct analysis? Or are they still continuing to be wed to their old system?

Do they speak to sufficient Panamanian people in your view to get a more accurate picture of what the situation is and who could fill the power vacuum within the Panama defense forces?

Mr. **Blandon**. From the information of last week, Mr. Senator, I think that for the first time officers of the Department of Defense of the United States had the opportunity to discuss with another group of officers, Panamanian officers, regarding other realities, other facts.

But once again, the scheme which has been raised in Panama is a very rigid one, too rigid. In not wishing to recognize the error, they insist on the error, continuing it, and now that you have mentioned Nestor Sanchez, I should like to state something which concerns us. Last year——

Senator **Kerry**. Before you do, I want to come back to Nestor Sanchez because I want to identify him a little more for the purposes of this particular hearing.

I would like the record to show that the lawyers for General Noriega, through his lead attorney in Florida, Mr. Neil Sonnett, were asked 2 weeks ago for any evidence that might document what was asserted in the document put forward today by Jose Blandon.

I join Senator D'Amato in underscoring what Jose Blandon has just said about potential replacements. The intelligence on which our judgments have been based is fundamentally, fundamentally, not exclusively but fundamentally intelligence which has been fed over the years through General Noriega himself. So, he has created really the pages of files on potential replacements, and this is a point which Jose Blandon made last time. But I think in view of the current debate and administration position, it is even more important today to understand that than it was before.

Now, Mr. Blandon, would you please reidentify, if you will, who Nestor Sanchez is?

Mr. BLANDON. Nestor Sanchez worked first for the CIA for various years, and then in the Defense Department as an Assistant for Latin America of the Defense Department. At the present time he is part of the Panama Canal Committee, on one of the committees, and I understand he is an adviser. Recently he was assigned to the Panama Canal Commission. He is a man who has been in continual relationship with General Noriega for a number of years. His knowledge of the defense forces is limited to those areas.

Senator KERRY. And you know him to be somebody who has continued to have, even at this moment, input with respect to Defense perceptions on the Noriega situation?

Mr. BLANDON. I was saying that last year Mr. Nestor Sanchez had a meeting with Aquilino Voy. Aquilino Voy is close to Noriega, who was named by the nonconstitutional government of Panama as Ambassador of Panama to the United States, and in those discussions, Aquilino Voy discussed with Mr. Sanchez the future of the defense forces of Panama on the basis that if Noriega left, the command pyramid would fall down in Panama.

Now, the armed forces of Panama was going to put Panama then in the hands of the Communists.

Now, with this simplistic idea, that is what he has been operating on.

They discussed this because at that time I was in New York and Aquilino Voy discussed this with me and with Ambassador Ritter of the United States, the Panamanian Ambassador to the U.N., discussed this problem.

Senator D'AMATO. Mr. Chairman, I believe that a meeting took place this past Saturday, a week ago Saturday, on March 25, where a number of officers in the Panamanian defense department met at the Pentagon with Defense Department officials to discuss the implementation of various opportunities or methods by which Noriega could be exited or removed. News of that meeting apparently leaked out and was made available in Panama, and I would ask Mr. Blandon if that is not correct, if he did not hear that there were meetings that had taken place with our Defense Department with PDFG members, PDF officers, and I understand that Mr. Sanchez was seen in the Pentagon lobby at the time of this meeting.

Are you aware of that?

Mr. **Blandon**. Yes, I discussed this with him, and he said that when they were in the Defense Department he said hello to Nestor Sanchez. This was Saturday, the day that you mentioned, and Sunday, and—no, this came out on Sunday in the Panamanian papers that they had met with defense officials in the United States. Who provided the leak, I do not know, but this is what happened.

Senator **Kerry**. Is there any additional information you can tell us about the relationship between Nestor Sanchez and General Noriega that you haven't told us?

Mr. **Blandon**. It is obvious that they have a good friendship, and that he has discussed this thesis of the high command and the collapse of the leadership of the defense forces. and he has put this out as though it were true.

Senator **Kerry**. Now, unless Senator D'Amato wants to pursue that, I want to move back into the Medellin cartel.

Senator **D'Amato**. Mr. Chairman, I want to reemphasize something, and I am not going to bring it public at this point, but I think unless the Defense Department begins to look into the relationship with Nestor Sanchez and that which he did have with Noriega, and the fact that when this kind of meeting takes place at this critical juncture, and it is a meeting that I was not aware of, Mr. Chairman, but somehow it finds its way, that information finds its way in Panama, that that is rather distressing, and the fact of the matter is that maybe they should look a little closer into what the relationship with Nestor Sanchez and Noriega has been and continues to be, and what maybe Noriega has, what information that might be rather embarrassing to Nestor Sanchez that Noriega has, and what influence he still may exercise.

I think it is a rather serious matter, and it disturbs this Senator to think that we are still operating on the premise and the bases of information that flows through this individual and the fact that he just so coincidentally turns up at the time that this meeting has been held, and the fact that this information gets back, that these officers have met with Defense Department people, to Noriega, and I for one think that it is a rather disturbing situation, and I think it is a rather myopic point of view that still persists and exists.

And for the life of me, I cannot understand how this philosophy of just wait for things to take place and things may get better when indeed we have information, Mr. Chairman, that later I would like to share with you, that may lead to a situation where upward of $100 million plus may be transferred in the hours and weeks and days ahead, in cash money, to Noriega.

And I wonder how that situation will play out if he is given that infusion of dollars, and how much longer, and what the people of Panama will do.

And I would like to ask one other question because after all, Jose Blandon is an operative, an intelligence operative with many, many years experience understanding the psychology of the Panamanian people probably better than anyone we have access to.

Mr. Blandon, in your opinion, if the situation persists and Noriega is able to continue in power for the next 3 or 4 weeks, how will the Panamanian people, will there begin to take place a shift in the sentiment of the Panamanian people against the United

States as a result of the fact that they have been led to believe that he would be out a long time ago, when they have endured so much in the way of sacrifice, personal, political, economic, et cetera?

Do you think that is a danger?

Mr. BLANDON. You will recall, Senator, that when we spoke in New York I told you that in March the Noriega government would enter into a general crisis, as indeed is the case. But I can assure you that if Noriega remains in power for the next 4 weeks, Noriega will destroy the Panamanian economic system, and the destruction of the Panamanian economic system will bring in its wake a massive exit of the powerful middle class that we have forged in the country.

There are long lines in Panama right now to obtain passports and visas to come to the United States. The Panamanian economy is conceived of so as to make use of our geographic location. Seventy-five percent of the income of the Panama comes from services. If Noriega is able to destroy the financial system and establishes a national currency, the Panamanian economic system will be changed, and later I will explain how Cuban intelligence has been manipulating this problem so as to come to such a juncture.

So, the next 4 weeks are very clearly decisive for Panama. If the United States decides to wait, the dangers that the United States will run in terms of its strategic security and the risk or the danger in terms of public opinion being turned against the United States is very great.

Senator KERRY. Mr. Blandon, I want to try to proceed through a number of other key areas. We have a great deal to cover, a lot of witnesses, and unfortunately, not as much time as we would like.

In previous testimony you told us that General Noriega had a relationship with other military intelligence officials throughout the region.

Did he have a relationship with the Honduran military intelligence?

Mr. BLANDON. Yes, of course.

Senator KERRY. Can you describe for us who Col. Torres Arias is?

Mr. BLANDON. Col. Torres Arias was a Honduran intelligence officer. He was head of the G-2, which is the military intelligence of Honduras, and he was changed at the end of 1981, beginning of 1982.

Senator KERRY. And what was his relationship with General Noriega?

Mr. BLANDON. Torres Arias was initiated to arms trafficking and drug trafficking by Noriega, and on two occasions he visited Havana, and he met there with Castro and with members of the FMLN to coordinate the shipment of arms through Honduras.

Senator KERRY. At what period of time did General Noriega and Torres Arias enter into a business relationship?

Mr. BLANDON. At the same time that the Medellin cartel was formed. You should recall that the Medellin cartel was formed at the beginning of the 1980's as a response on the part of the drug barons in Colombia to the threat represented by the M-19 and the need to have a coordinated strategy to increase their business. From that time when the Medellin cartel was formed with a clear strategy, with resources, not only financial resources but also human resources, because there is a tendency to think of the Medellin cartel as very crude murderers, but behind this cartel there is a whole technical team, economists, financiers, investment experts who manage these tremendous quantities of money.

Senator KERRY. Now, let me just interrupt you there quickly.

When Ramon Milian Rodriguez testified, he sat there and he said to us, "Senators, you do not understand; these people control whole industries, industries."

Is that accurate?

Mr. BLANDON. Of course. Not only industries, in Panama they control a bank, the Inter-American Bank. This was owned by a member of the cartel, not the Medellin cartel, but of Cali.

Senator KERRY. The Cali cartel.

Mr. BLANDON. Heberto Rodriguez Orijuela. He controlled 51 percent of that bank.

Senator KERRY. Let me come back for a second, because I want to try to be very precise here.

What, to the best of your recollection—and if you do not remember, tell us you do not remember, but approximately what year did this relationship with Colonel Arias begin with General Noriega?

Mr. BLANDON. In 1980.

Senator KERRY. Now, the nature of the business you have described as being narcotics and arms. Is that the totality of it?

Mr. BLANDON. It began with the arms business first, arms trafficking.

Senator KERRY. When did it move into narcotics?

Mr. BLANDON. In 1981.

Senator KERRY. Were there other Honduran military officers or officials involved?

Mr. BLANDON. After Torres Arias, you mean?

Senator KERRY. Yes. Well, even at the same time, was Torres Arias alone in his effort or was he joined by others?

Mr. BLANDON. No, he worked with Colonel Bodon who controlled one of the most powerful units of Honduras. It was the type of relationship that you see now in Haiti, just as that which also began with Noriega, and the pattern is very important, the pattern. The cartel chooses the highest level official or officer working in the agency. So Noriega was G-2. Torres Arias was G-2. Both controlled one of the most powerful units of Honduras.

In Haiti, the colonel who is involved is the most powerful officer, and the cartel which has better intelligence information about the officers than the United States intelligence agencies has a better system of recruitment.

And from that moment, it is from that moment in 1980 and 1981 that the Medellin cartel expanded, and beginning in 1983 when its true expansion began——

Senator KERRY. Before you go to the expansion, what was Colonel Bodon's unit, which unit?

Mr. BLANDON. The armed vehicle battalion, I do not remember the name, that is based in Tegucigalpa.

Senator KERRY. And is he still an active duty officer in Honduras?

Mr. BLANDON. No, they are not active. They were retired when General Alvarez came to power in 1982.

Senator KERRY. Was there any specific reason stated for their retirement at the time?

Mr. BLANDON. Because the Honduran intelligence agency and United States intelligence agencies perceived this information about the meetings with Castro with Torres Arias, and you will recall that I informed you in the last hearings that when we received the information that the information had filtered into Honduras about Torres Arias and Bodon's travel to Cuba, Noriega passed this information on to the United States intelligence agencies.

Senator KERRY. Did they ship weapons to the rebels in El Salvador.

Mr. BLANDON. Of course.

Senator KERRY. You say "of course." Do you know that or do you say "of course" because everybody did it?

Mr. BLANDON. No, because Noriega coordinated meetings in Panama with the Directorate of the Farabundo Marti Front to establish two routes for arms supply to El Salvador, one through beneath, through the Gulf of Fonseca, and another in the north of Honduras, which was called the Ho Chi Minh Trail. This was discussed by Torres Arias in meetings in Panama.

Senator KERRY. Did you attend any of those meetings?

Mr. BLANDON. I attended both meetings.

Senator KERRY. Can you describe to us who is Matta Ballesteros?

Mr. BLANDON. Matta Ballesteros is a drug trafficker who was originally Colombian, who is currently in Honduras.

Senator KERRY. Did Matta Ballesteros have a relationship with Noriega?

Mr. BLANDON. Not that I know of.

Senator KERRY. What was his role in Honduran drug trafficking?

Mr. BLANDON. Matta Ballesteros is a billionaire. There have been estimates indicating that his fortune is better than $1 billion. You can imagine the degree of influence that he has in Honduras.

Senator KERRY. Is he the same Matta Ballesteros who is wanted by the prosecution in the murder of the DEA drug agent, Camarena?

Mr. BLANDON. Yes, it's the same one.

Senator KERRY. So, this wanted, accused murderer, alleged murderer, who is one of the richest men in Honduras, is currently under indictment for murder of a DEA agent, is currently sitting in Honduras at the moment with impunity, is that correct?

Mr. BLANDON. Correct, that is correct.

Senator KERRY. And do you know how long he has been there?

Mr. BLANDON. No, I don't know.

Senator KERRY. Who in the Honduran military picked up the drug business after Torres Arias, if you know?

Mr. BLANDON. You mean when Torres Arias left the armed forces?

Senator KERRY. Yes.

Mr. BLANDON. The problem, Senator, is that with all the operations being carried out in 1984 in Honduras, military support against Nicaragua created natural conditions for illicit activities.

Senator KERRY. Now, are you talking about the supply effort to the contras in 1983, 1984?

Mr. **Blandon**. Exactly.

Senator **Kerry**. Well, apart from the natural opportunity that it afforded, do you personally have any knowledge of Honduran involvement subsequent to Torres Arias in drug trafficking?

Mr. **Blandon**. In Panama there were indications of that, but not indications that or evidence that would allow me to indicate direct involvement.

Senator **Kerry**. Let me ask you this question. Was there involvement to your knowledge in drug trafficking by the Honduran navy?

Mr. **Blandon**. No. You refer to the navy or the army?

Senator **Kerry**. The navy.

Mr. **Blandon**. No, I do not have knowledge of that.

Senator **Kerry**. Do you know who Hector Aplicano is?

Mr. **Blandon**. Yes.

Senator **Kerry**. Could you describe to us who he is?

Mr. **Blandon**. He was a colonel of the Honduran armed forces. He was discharged in 1986.

Senator **Kerry**. Do you know whether or not he was involved with drug smuggling while he oversaw the Contra supply efforts in Honduras?

Mr. **Blandon**. I do not have information that he was involved in drug trafficking. I do know that he was the link between the Contras and the Honduran army.

Senator **Kerry**. Do you know a Honduran officer named Captain Luque? Have I pronounced that correctly?

Mr. **Blandon**. That's right. Luque was the operative who was involved in the same work.

Senator **Kerry**. What do you mean, "involved in the same work?"

Mr. **Blandon**. He worked with Aplicano in supplying the Contras.

Senator **Kerry**. And he worked at the air strips that we use for resupply; is that correct?

Mr. **Blandon**. Yes, that is correct.

Senator **Kerry**. Now, at some time did Cesar Rodriguez tell you that drugs are going through those strips?

Mr. **Blandon**. Cesar Rodriguez? Cesar Rodriguez used the airstrip in Costa Rica basically.

Senator **Kerry**. But you told us some time previously that Cesar Rodriguez told you that those airstrips in Honduras were being used also for the transshipment; is that correct?

Mr. **Blandon**. Yes, what I said was that Cesar Rodriguez mainly used, when he left Panama, the airstrips in Costa Rica. He also made stops in Honduras, but mainly he operated from Costa Rica.

Senator **Kerry**. Do you know whether or not trafficking through Honduras has continued up until the present time?

Mr. **Blandon**. I do not have information in this regard.

Senator **Kerry**. Can you tell us the circumstances of the visit of Torres Arias and Bodon to Cuba?

Mr. **Blandon**. Torres Arias and Bodon traveled to Cuba, which was on two occasions. It occurred by virtue of the need to resupply more specific arms to the FMLN movement and to establish a relationship with Castro's personnel so that they would be trusted vis-a-vis the guerrillas in El Salvador.

Senator KERRY. What was General Noriega's role in that?

Mr. BLANDON. They went to Panama and theoretically they were in Panama. And an armed forces plane of the Panamanian armed forces took them to Havana.

Senator KERRY. That is the totality of his role?

Mr. BLANDON. In terms of arranging the visits, yes.

Senator KERRY. But General Noriega had a business relationship with them with respect to the results of that visit; is that correct?

Mr. BLANDON. Of course, yes. Later, after the arms resupply network that Noriega had, in which they obtained arms in different countries with the network of Cesar Rodriguez and that of Harrare, they continued the arms supply.

Senator KERRY. Now, Mr. Blandon, you told me also on a number of occasions in my office as we discussed this that the clandestine network of airstrips which were used for the Contra supply, that is to say both in Costa Rica as well as in Honduras, were also used extensively by drug traffickers. Is that accurate, the same airstrips?

Mr. BLANDON. Please repeat the question.

Senator KERRY. You said to me on a couple of occasions in my office as we discussed this that the airstrips, the clandestine network, the secret network of airstrips which were used for Contra supply, were also used extensively for drug trafficking.

Mr. BLANDON. There is some information that I would like to set forth, Senator, because of the existence of more convincing evidence, stronger evidence, that links the Harrare network with respect to all of this.

Senator KERRY. Now you're going to lose some people here. When you say the Harrare, you're talking about Mike Harrare; is that correct?

Mr. BLANDON. Yes, I'm referring to the Israeli citizen who has business with Noriega in Panama for a series of companies for arms contraband, smuggling to supply arms to Central America and to the counterrevolution, the Nicaraguan counterrevolution.

And moreover, those planes were used for other things.

Senator KERRY. When you say "other things," what do you mean?

Mr. BLANDON. Drugs.

Senator KERRY. And when you say the "Harrare network," what is the Harrare network?

Mr. BLANDON. The Harrare network is a network that was established with Israeli citizens, Panamanians, and United States citizens for arms supply purposes.

Senator KERRY. When was this formed?

Mr. BLANDON. In 1982 and 1983. It functioned until 1986.

Senator KERRY. Where did it function from?

Mr. BLANDON. From Panama.

Senator KERRY. What countries was it involved with?

Mr. BLANDON. I would like to ask, Mr. Chairman, that this topic has been discussed—that this be discussed in a closed way, because there is a witness who is still pending a series of measures. I spoke with him yesterday, and I would prefer that this be dealt with in a closed session first.

Senator **Kerry**. Mr. Blandon, we will agree to do that. We will do that in closed session, and I understand why and I think it is important. But I want to do it immediately in closed session. Not this moment, this instant, but within the next few days.

Is that agreeable?

Mr. **Blandon**. Yes.

Senator **Kerry**. Before we move off this subject, I want to ascertain for the public record without any question that this involves—that there is a direct linkage that you are aware of of the private network, of this Harrare network and these airstrips, in which guns would go in one shipment and drugs would come out in another. Is that accurate?

Mr. **Blandon**. Yes.

Senator **Kerry**. And on some occasions drugs just went in and out on their own; that's also accurate, is it not?

Mr. **Blandon**. Yes.

Senator **Kerry**. We will pursue the names and the particular individual that I am aware of and staff is aware of. And we have already been in touch with him as a matter of fact. So, we will pursue that in closed session and move into another area.

When General Noriega took over the government from President Delvalle, actually formalized his takeover in a public way, at that time, at the beginning of the month, the Japanese Government decided to approve the new government installed by Noriega.

And at that point, we began our economic sanctions. Has there been a relationship between General Noriega and Japan that we should be aware of?

Mr. **Blandon**. Well, historically the Republic of Panama maintains excellent relations with the Government of Japan from the time of General Torrijos. And General Noriega obviously inherited those good relations.

Japan's interests in Panama are very significant at present and they will be so in the future, because Japan is a net exporter of commodities and our status as a transoceanic route that is important for Japan. So, the relations are very important for Japan and we Panamanians are interested in cultivating that relationship.

Senator **Kerry**. I have been asked by—let me just take 1 minute here.

[Pause.]

Senator **Kerry**. I think we will take a 10-minute recess at this time and reconvene at 20 minutes of. We stand in recess for 10 minutes.

[Recess.]

Senator **Kerry**. The hearing will come back to order.

Is Ambassador Sosa still here?

[No response.]

Senator **Kerry**. While we are waiting for Ambassador Sosa to come back in, let me recognize Senator D'Amato for a minute.

Senator **D'Amato**. Mr. Chairman, I just want to take several minutes, and I think it's worthy of note, Mr. Chairman, to look at the international narcotics control strategy report prepared by the

U.S. Department of State, Bureau of International Narcotics Matters.

Page 128, the second paragraph, Mr. Chairman. I am just going to refer to a brief part of that. It says:

> In the late 1970's and the early 1980's, Honduran citizan Juan Ramon Matta Ballesteros established himself as a major trafficker working out of Colombia and Mexico. Motta was a fugitive from Honduran law and avoided the country from 1977 until April 1986. He is believed to have continued trafficking since his return to Honduras, but there is no documentation of his involvement in the drug trade.

Now, here is an individual who has been indicted for the murder of Enrique Camarena, our DEA agent, who is worth hundreds and hundreds of millions of dollars, if not billions of dollars, who is a major narcotrafficker in the world setting of drug dealers. And we have this kind of flimsy report that talks about that there is no documentation of his involvement, when he is already indicted for murder.

Let me just suggest this, Mr. Chairman. I think this further underscores— someone said to me, "What dramatic evidence or testimony have you heard today?" I don't know about how dramatic, but I think maybe it's necessary to put forth that which we have so cavalierly taken for granted.

This administration, previous administrations, there is no policy of priority in dealing with the drug trafficking and all that it spawns—the fact of dealing weapons with whatever group, whether it is with the Contras, whether it is with the Sandinistas, whether it is with the rebels in El Salvador, whether it is the M-17, whatever group.

The drug traffickers will take that opportunity to work their way, and indeed they have. And when our policy becomes so shortsighted, Mr. Chairman, that we say to the Hondurans, "Do whatever as long as you permit us to work our will militarily, to use you, your bases," et cetera, that we put aside the fact that here is someone that is accused of murdering one of our U.S. citizens, here is someone who is ruthless, who is corrupt, who is rotten to the core, who has put billions and billions and billions of dollars' worth of drugs, poured them in, that poison, into our country, who is responsible for Lord knows how many deaths in our country, aside from the execution of the DEA agent.

And we get a paragraph of garbage devoted to him. I mean, it is not worth the paper it is written on. It is absolute trash. And that is what our policy has been as it relates to drug enforcement.

And if you want to know something, to those who say, "Well, what do you see, what highlights," let me tell you: It is what you do not see, that you do not see a policy really directed and a priority given to the drug war.

So, Mr. Chairman, I want to say I think that is a rather significant thing. It will go maybe by with a blip someplace. And when we see the savagery that takes place in the streets of Los Angeles, New York, and from one hamlet and one community to the other, I think it is a tragedy.

And I think that, notwithstanding that there may be some problems as it relates to the extradition laws in Honduras, as it relates to extraditing a citizen of their country, by God we ought to begin to put them to the test. And we ought to begin to design and ask them to design a policy and a program as it relates to those people who are involved in drug dealing or the killing of U.S. citizens, et cetera, that they do come up with the ability to provide extradition even of their own citizens under extraordinary circumstances such as the situation that exists today.

Thank you, Mr. Chairman.

Senator KERRY. Thank you very much, Senator.

If I can just, I'd like to explain a couple of things as we go along here, because I know there's going to be some element of frustration by some people listening to try to say, "Well, where are we going here?" And that's part of the difficulty with this story.

Certain witnesses this week are going to be laying out pieces of a story, which by the end of the week will be cumulative. There will be a couple of pilots who will be talking about their individual flights, their individual involvements.

But they will be, by the time their testimonies are completed, part of a total web that will very clearly paint a picture. And it's important to look at this as cumulative, cumulative both in its circumstantial as well as in its direct evidence bases.

And I would be happy as we go along to try to paint a clearer picture of where precisely it is going.

With respect to the issue of Matta Ballesteros, there are a number of things, as Senator D'Amato has said, which are brought up by it. But it is very important to remember that we are looking here as the Foreign Relations Committee at how decisions are made: Why have we had certain policies? Why have we known of General Noriega being involved in drugs and yet made other choices?

Matta Ballesteros simply underscores that kind of decisionmaking process. Where you have someone worth, the estimates are formally before the Foreign Relations Committee at the certification hearings, $2 billion, who is indicted and wanted for the murder of one of our own agents, if you are serious about enforcing your war against drugs and reinforcing and instilling morale among the troops who go out and risk their lives, it seems to me that you should leverage something against a country that allows that person free harbor.

The fact is that Honduras today, because of its support for the Contras, because of its staging base, because it has done the requests of other foreign policy goals of the United States, is the eighth largest foreign aid recipient of the United States of America.

I think it is somewhere in the vicinity of $255 million or so on an annual basis. So, the question has to be asked by an American citizen: How is it that we are paying that kind of money to a government on an annual basis of hard-earned tax dollars of American citizens when that country will not assist us in the prosecution for murder of a drug agent who risked his life and lost it in an effort to stop the flow of drugs into this country?

Very fundamental. And that is replicated by a series of other choices we have made in the Bahamas, in Panama, in Costa Rica, and elsewhere, which is part of what these hearings will show. And so you see one small piece of the mosaic in that particular choice.

With respect to the document that was brought up by Jose Blandon, there is another witness who corroborates some of what Mr. Blandon alleged today, but as chairman of this committee, I have been meticulous all along not to let certain significant statements come out at these hearings unless we felt there was some kind of corroboration for them, and at this point the committee is not prepared to do that with respect to that assertion.

However, I can say to people that it is my belief that in the course of these hearings that will happen. We have personally, staff has had two conversations with an individual who in those conversations on the telephone has corroborated it, but there is a difference between a telephone corroboration with staff and the ability to put that person in front of us here as a witness, and that is being worked on.

I am also informed that one of our networks, which will remain nameless, has talked to this individual, and it is entirely possible that something will be forthcoming on it in the course of this week, though I cannot promise that.

So that is where we stand with respect to it.

Now, I would like at this time—I should add we have not, we have not been able to see that person in person at this time.

I would like to verify, if I can for the record, the document that was put in here, and I have asked Ambassador Sosa if he would simply take the stand for a moment to permit us to be able to do that.

I would ask you, Mr. Ambassador, would you stand, please, and raise your hand?

Do you promise to tell the truth, the whole truth, and nothing but the truth, so help you God?

Ambassador Sosa. I affirm this, Mr. Chairman.

Senator Kerry. Would you identify yourself, please?

Sit down, if you could, and identify yourself to the microphone.

STATEMENT OF HON. JUAN SOSA, AMBASSADOR TO THE UNITED STATES FROM PANAMA

Ambassador Sosa. I am Juan Sosa, Ambassador from Panama to the United States.

Senator Kerry. And how long have you served as Ambassador?

Ambassador Sosa. Five months.

Senator Kerry. I would like to ask you if you would take a look at the documents which have been handed to you by staff and ask you if you recognize those documents.

Ambassador Sosa. Yes, I do.

Senator Kerry. What do you recognize those documents to be?

Ambassador Sosa. This is a document that was sent to all diplomatic missions in the United States right after General Noriega was indicted.

Senator Kerry. And did you receive that at the time?

Ambassador Sosa. Yes, I did.

Senator Kerry. When you were Ambassador?

Ambassador Sosa. Yes, I did.

Senator Kerry. Fine, Mr. Ambassador. I just wanted to identify it for these purposes, and I do not want to ask you any substantive questions because of your position, but I thank you very much for identifying that for the record.

Ambassador SOSA. Thank you very much.

Senator KERRY. I would like to come back, if I can, to those questions about Japan. In your earlier appearance before this subcommittee, you said that General Noriega had a relationship with the Aoki Corp.; is that correct?

Mr. BLANDON. Yes, that's correct.

Senator KERRY. What is the nature of that relationship, and how long has that gone on for?

Mr. BLANDON. The relationship, the nature of that relationship is of a commercial nature. It is a relationship that is more than 7 years old.

Senator KERRY. And is General Noriega a friend of Mr. Aoki, do you know?

Mr. BLANDON. Yes, indeed, and Aoki has visited Panama on many occasions.

Senator KERRY. Has General Noriega visited Japan?

Mr. BLANDON. Yes, indeed, arranged also by Aoki.

Senator KERRY. Is Mr. Aoki the honorary consul of Panama in the Consai region of Japan?

Mr. BLANDON. I understand, yes.

Senator KERRY. And has the Aoki Construction Co. paid money to General Noriega?

Mr. BLANDON. That is correct.

Senator KERRY. Do you know how much or why the payment was made?

Mr. BLANDON. It was made for the arranging of the construction of the Fortuna Hydroelectric Plant which was established in Panama.

Senator KERRY. Are you aware of how much was paid to General Noriega?

Mr. BLANDON. I understand $1 million.

Senator KERRY. Can you describe the Fortuna dam project, in particular, the construction process for the second phase?

Mr. BLANDON. For the second phase of the project, which was established, the raising of the dam, the building of the dam for better efficiency of the electrical plant, various companies participated, and Aoki's company was in the fourth place. This was a public bid, under the World Bank, and Noriega wanted for Aoki to be in the first place, but these international procedures made a technical evaluation, and the World Bank and the Panamanian organization were to do this.

Now, we certified that the company which had won the bid was the one which in fact, had in fact won. General Noriega insisted and for a year he delayed the granting of the contract to the winning company which is represented that Panama does not have that plant now, with a net loss of more than $100 million for the Republic of Panama.

The World Bank finally decided that it was improper that Aoki, who was in the fourth place with $20 million in difference as compared to the first place company, should receive that contract. Aoki had presumed, at least from what we understand, there was a payment to Noriega of approximately $3 million.

Senator **Kerry**. And did General Noriega remove you from the Panamanian Power Authority at some time?

Mr. **Blandon**. For that reason, because I refused to accede to anything which as improper.

Senator **Kerry**. Do you know Tonsong Park?

Mr. **Blandon**. Not personally, but I know his history, I know about him and his relationship with Noriega.

Senator **Kerry**. So, he has never told you personally about his relationship with the Japanese political figures.

Mr. **Blandon**. Who?

Senator **Kerry**. Tonsong Park.

Mr. **Blandon**. No, I know the history of Tonsong Park through General Noriega.

Senator **Kerry**. Does Tonsong Park represent anyone's interests in Panama?

Mr. **Blandon**. General Noriega.

Senator **Kerry**. Has he visited General Noriega over the past year?

Mr. **Blandon**. In November 1987, Tonsong Park was in Panama with Admiral Murphy to discuss a formula for the economic assistance to the government of Noriega.

Senator **Kerry**. Were there any others involved in those meetings?

Mr. **Blandon**. In Panama? No, there was a U.S. lawyer named Tommy Boggs who has been in contact with Noriega.

Senator **Kerry**. Do you know what happened at those meetings?

Mr. **Blandon**. Yes, indeed, in that meeting there was proposed an exit formula for Noriega, and it was said that Tonsong Park had a meeting with Takashita, with the Minister of Japan, that he could obtain financing for Panama in 1988. In exchange, this group could, in exchange, for him, solve Noriega's problems and the U.S. Government.

Senator **Kerry**. Is there a particular reason why you included the Aoki Construction Co. in your chart that you had here last time in which you outlined the so-called enterprise?

Mr. **Blandon**. Yes.

Senator **Kerry**. What was that reason?

Mr. **Blandon**. Because that is the way, this is one of the companies, cover companies that Noriega uses in order to make his investments.

Senator **Kerry**. Could you tell us what the second Panama Canal study was?

Mr. **Blandon**. The study is in process. There is a problem with the selection of the companies for the study because Noriega was interested in that another company should handle this.

Senator **Kerry**. Were Japanese firms involved in that study?

Mr. **Blandon**. Yes, indeed, because this was a tripartite between the United States, Japan, and Panama, so these are United States, Panamanian, or Japanese consortiums.

Senator **Kerry**. Was Mr. Richard Allen associated with that group?

Mr. **Blandon**. I understand he is.

Senator **Kerry**. Did General Noriega have a relationship with the group?

Mr. BLANDON. I can't answer that.

Senator KERRY. Do you know Ambassador Calvo, the Panamanian Ambassador to Japan?

Mr. BLANDON. Yes, I know him.

Senator KERRY. Do you know if General Noriega told Ambassdor Calvo how he wanted Panamanian business with the Japanese handled?

Mr. BLANDON. Yes, indeed.

Senator KERRY. How was that?

Mr. BLANDON. He called Calvo and explained that any further negotiations should be done with associates of Noriega.

Senator KERRY. Did the Aoki Construction Co. buy Contadora Island from the Panamanian Government?

Mr. BLANDON. That's correct.

Senator KERRY. Were there other competing bidders for the island, such as KLM?

Mr. BLANDON. That is correct.

Senator KERRY. Was the Aoki bid for Contadora the high bid?

Mr. BLANDON. I understand that it was not.

Senator KERRY. You say you understand it was not.

Mr. BLANDON. I understand because I do not have specific information.

Senator KERRY. So, you do not know. Is that a better answer?

Mr. BLANDON. That's correct.

Senator KERRY. So, you do not know where it came out in the bidding.

Mr. BLANDON. No, I have information but at that time I was a member of the Delvalle cabinet. On various occasions the problem was discussed. The final offer of Aoki I do not know.

Senator KERRY. But do you know whether or not it was the high bidder. You may not know the number. Do you know if it was high or low?

Were there other bidders higher than Aoki?

Mr. BLANDON. Yes, there were better offers than that of Aoki.

Senator KERRY. But you do not know the final price paid?

Mr. BLANDON. No, I do not.

Senator KERRY. And to your knowledge, has Contadora Island been used for drug smuggling also?

Mr. BLANDON. Yes, indeed. In the past it was used by Cesar Rodriguez and Carlos Weir, and Otero. They were the three who were operating that.

Senator KERRY. Now, in May 1983, Ramon Milian Rodriguez was arrested while he was trying to fly from Fort Lauderdale, FL, to Panama with $5.5 million in cash in his Lear jet.

U.S. law enforcement records indicated that he had transported more than $150 million to Panama in drug-related money during the 8 months prior to his arrested.

Do you have any information about Ramon Milian Rodriguez?

Mr. BLANDON. Yes, indeed.

Senator KERRY. Do you know who he is?

Mr. BLANDON. Ramon Milian Rodriguez was one of the principal individuals used by the Medellin cartel in 1980 to 1983 for money laundering. And I should indicate to you, Mr. Chairman, that the records of the United States show that during the period from 1980 to 1984, $3½ billion in low denomination bills circulated from the National Bank of Panama to the banks in Miami and New York, and the U.S. Federal Reserve Bank to Panama, $500,000 in cash, in other words, a net of $3 billion which were washed through the National Bank of Panama.

These records are available to the United States. This represents the magnitude of the problem.

Senator Kerry. Let me just interrupt you there to share for the record, in 1983 the Treasury Department became aware of an unusual flow of U.S. currency from the Banco Nacional de Panama to the Federal Reserve Bank, based on the data—and this is testimony, incidentally, of David D. Queen, Deputy Assistant Secretary for Enforcement, the Department of the Treasury, testimony in 1986, referring back to 1983, and he said based on the data we were able to compile, it revealed that from 1980 through 1984, approximately $3.5 billion, primarily small bills, was shipped from Panama to the United States. In contrast, the Federal Reserve Bank shipped to Panama $500 million in replacement currency during the same period, showing an immense cash surplus. Although U.S. Government agencies had received information for a number of years indicating that major drug traffickers or money launderers were using Panamanian banks or shell corporations to conceal their financial transactions, we were previously unaware of the magnitude and growth of the transactions being channeled through Panama.

Although our most recent data indicates the currency flow from the Banco Nacional de Panama appears to have decreased, it is still running at a very high level.

it is our belief, based on data from the forms 4789, current transaction report, IRS, and 4790, currency and monetary instruments report, Customs, filed with us that much of this money is from illegal activities, mainly drug trafficking.

So again, this was known in early 1983, and I think underscores some of the decisionmaking choices that were made subsequent to that.

Mr. Blandon, picking up from there, if you would, I would like you to talk about the size and scope—before you do that, let me just ask you, do you know whether or not Ramon Milian Rodriguez made payments to General Noriega on behalf of the Medellin cartel?

Mr. Blandon. Well, I recall that on one occasion when I spoke with Noriega and Milian Rodriguez was present—I did not speak with him, but it was obvious that at the least, those of us who were working with Noriega, it was obvious to us that Milian Rodriguez was involved in money laundering, and I recall one conversation with Cesar Rodriguez and Pretel in which they were disgusted with Milian Rodriguez, they called him the Cuban, who was taking power over Noriega's business, and I recall that in Milian Rodriguez' testimony, he identified Cesar Rodriguez and Pretel as his competition, and you observed, in effect, that beginning in 1983, when Milian Rodriguez was put out by Noriega, that someone else came in, Mr. Couch, into the business.

If you put this together, you realize that what happened at that time was a change on Noriega's part in terms of the money laundering process and the people involved, and they took control, Pretel, Rodriguez, and the Cali group took control of the money laundering process.

Senator **Kerry**. Did General Noriega ever comment about the arrest, indictment, and sentencing of Mr. Rodriguez, Ramon Milian Rodriguez?

Mr. **Blandon**. Noriega sent information to New York when the Milian Rodriguez case came up in which he clarified that in 1984, according to Noriega, he himself was the one who gave the D.A. the information about Milian Rodriguez. In other words, he betrayed his own partner.

Senator **Kerry**. Was Ramon Milian Rodriguez known to Alberto Arias, the former President of Banco Nacional de Panama?

Mr. **Blandon**. I cannot answer that.

Senator **Kerry**. Please describe for us in greater detail now the magnitude of the drug money laundering business in Panama and the effect of the Medellin cartel?

Mr. **Blandon**. Well, the money-laundering system, Mr. Chairman, is a very sophisticated system, subject to all of the laws of the financial market. The narcodollar needs, in order for it to be converted into legal money, a mechanism and a system in which one of the main problems affecting it can be resolved, and that is its clandestine nature.

the Panamanian banking system, which was conceived of precisely so that full use could be made of our geographic position, lends itself, if the officials are corrupted, to such operations. And the operation is of the following magnitude. The sums of money in cash are transported from the site at which they are generated, we could say Miami or New York, into planes and sent to Panama, and it is observed that the currency or the bills in which it is picked up are low denomination bills, which are the ones that are paid by the user and which accumulate in security boxes, safe boxes in Miami or New York, which are then sent to Panama.

When they come to Panama through different banks, they are placed in the system.

But in the Republic of Panama, the National Bank acts as a clearinghouse for all of the cash money, so that the banks that have cash deposits that exceed their daily use have to send the cash to the National Bank, to the Banco Nacional. When that happens, the National Bank issues a note of credit to the corresponding bank, and the money in cash, if not used in the system, is sent by the National Bank to the United States to the Federal Reserve.

In this process, when the National Bank sends the cash to the U.S. Reserve and it is deposited there, then it is clean. So, you have cash and credit which is then transferred by cable to the other bank. This requires sophisticated use of technical and financial apparatus. Therefore, when I am speaking of the Medellin cartel in terms of its human structure, we must not forget that we are not talking about just anyone. Milian Rodriguez himself is a specialist in double accounting, how to hide accounts and have them presented in another fashion. Moreover, it has a financial team that optimizes the use of such funds. The Panamanian system has been functioning, most of the funds that have come to Panama have resulted from drug trafficking.

But now a problem has arisen with the closing of the financial system of Panama because what is happening in practice right now, that with the financial system of Panama closed, excessive sums of cash must be getting accumulated in safes in the United States, in Miami, in New York or in Colombia. That's why the Medellin cartel, ever since November, has been proposing that Noriega leave, or his physical liquidation, because Noriega has become for the Medellin cartel an obstacle to the functioning of the system.

Senator KERRY. It is my understanding that the system has found outlets in other places, and we will hear testimony to that later from, among others, Mr. Rodriguez himself. But are you aware of that?

Where is this cash going now? It is not just sitting in a farmhouse in Colombia or sitting in a safe house in Miami, is it?

Mr. BLANDON. No, of course they have other money-laundering systems, through other types of banks, to Europe or to the Bahamas. But the problem is that the infrastructure in Panama is much more efficient than other infrastructures because of the free trade for deposits and withdrawals of money.

There are no controls, since we do not have a currency, for the entry and exit for exchange.

Senator D'AMATO. Mr. Chairman, I have been given to understand that because the banks in Panama since March 3 have been closed, that the cartel is indeed having a great deal of difficulty laundering its money and it has had to shift its operations, as it has done, to other offshore banks and facilities.

But I have also heard that they have put out a contract for $1 million on Noriega, as difficult as that may seem to contemplate here, one of their major operatives.

I would like to get from you, Mr. Blandon, because you still have your own sources, No. 1, have you heard of that, the contract on Noriega? No. 2, do you think it's true, and why would the cartel, if it is true, have undertaken this contract on Noriega?

Mr. BLANDON. Since November 1987, we had information—"we," I say we in Panama—that the Medellin cartel was urging Noriega to leave. You may recall that at that time we prepared a plan for Noriega's exit, and you recall that Noriega's only concern was to ensure that the United States not issue the indictment against him.

But Noriega resisted that offer and he has brought the system to a practical collapse, so that in addition he has brought into very serious international attention focused on the Medellin cartel. For the first time in the history of the United States, U.S. Senators have begun to clearly disseminate the cartel's strategy and to clearly state the great challenge that the cartel represents to U.S. security. And this constitutes the most serious threat to the cartel.

But moreover, if the political forces struggling against drug trafficking are successful in destroying one of the emporiums of the cartel, that example will be transmitted. You can rest assured, Senator, that many military people in Latin America can see themselves in Noriega's mirror in terms of involvement in drug trafficking.

When there are clear signals that the United States and our States will be inflexible in terms of the struggle against drug trafficking, the level of people interested in this will be reduced, the number of people interested in this will be reduced, because of the great risk.

That is why we Panamanians who have adopted a head-on struggle against drug trafficking are concerned that this be understood in the United States, that this be perfectly well understood by the Medellin cartel and the interests of the Medellin cartel, because they know what a defeat of the magnitude of the Noriega case would represent and the loss of that infrastructure for the Medellin cartel, because this has also radiated out to other areas that are interested.

It is important to note, for example, that the indictment against Col. Jean Paul in Haiti is also a clear example of that policy. And if the United States, together with other states, are successful in doing this, then they will place the cartel in a very difficult situation.

That is why the cartel is interested in undoing itself from Noriega, because there are serious reasons. A multimillion dollar enterprise is endangered.

Senator D'AMATO. Let me return again to that question. Have you, Mr. Blandon, heard of the supposed contract by the cartel on General Noriega for $1 million?

Mr. BLANDON. Yes. It is commented on on a daily basis in the Panamanian defense forces.

Senator D'AMATO. Do you believe that to be true?

Mr. BLANDON. Yes, of course.

Senator D'AMATO. Would that explain Noriega's reluctance to leave?

Mr. BLANDON. In part, because the transactions that Noriega has carried out with the cartel are not all that clean. There are clear indications that among the various transactions that Noriega has carried out with the cartel, how he has retained people in Panama to charge more and then let them go.

That is, the transactions that Noriega has had with the cartel have violated the cartel's own laws.

Senator D'AMATO. Mr. Chairman, I think that that is the kind of information that I hope that our intelligence services would be able to attempt to verify. And again, it seems to me that where there has been oftentimes an opportunity to get a broader perspective as to what is taking place in Panama, that we have not availed ourselves, the administration, of those opportunities.

Indeed, Mr. Chairman, as you talked about Arias, Alberto Arias, who is the head of the Bank of Panama, in staff's briefing with Mr. Blandon he talks about how a meeting was arranged, that Mr. Blandon arranged a meeting between the Drug Enforcement Agencies and the head of the Bank of Panama on December 8 to explain how the drug money laundering in Panama took place; and that indeed, the briefing, if anything, was superficial.

And I am wondering if, Mr. Blandon, you would like to comment upon that. How long did that briefing take? What was your impression about it, and was there anything that took place that disturbed you?

Mr. BLANDON. Well, it is December 8 we brought the former manager of the National Bank to a meeting with the DEA, supposedly so that they would become familiar with the money laundering. That meeting lasted 35 to 40 minutes and only general matters were asked about.

We were surprised because we thought that this was one of the topics that, if you study all of the documents of the United States, emphasis is made on the fact that money laundering is one of the main problems in Panama. And it so happens that when we have there the person who can give the information, it is not given due attention.

We were struck by this and we were bothered by the fact that it was not possible to take advantage of that information, which was vital for being informed and getting a true picture of what money laundering really is.

Senator D'AMATO. Mr. Blandon, let me ask you, that meeting took place on December 8. I understand 2 days later that Noriega began a campaign against Arias to remove him. Is that true?

Mr. BLANDON. At that time, Senator, Arias was outside. Noriega began a campaign to take Luis Alberto prisoner and he had to hide, 2 days after that meeting.

Senator D'AMATO. I think that is again something that this Senator is concerned about. Here is a meeting with the Drug Enforcement Agency of the United States and the head of the Panamanian Bank that takes place on December 8. Two days later, he has to flee.

Now, who leaked? One can only come to a presumption based on this. Who leaked that information? How did Noriega get that information? And that's as recently as December. The head of the Panamanian bank, who was in the position to give very clear, substantial, important information if we're going to get the drug cartel where it hurts, its source of money, how it moves, where it goes, so we can attack it at its root, and probably the most important person who could give the kind of information that would maybe bring about a major, major kind of blow to the cartel is just dismissed.

And I want to suggest for one that I find that incomprehensible. I don't believe that it was just an accident, and I don't think, for example, the information that got back about the meeting with the defense people up here several weeks ago just got back to Panama by an accident.

I don't think that Nestor Sanchez was looking around in that lobby just by an accident, et cetera.

And if these are somewhat provocative questions that I place in the record, I think that they call for a reply and not just a statement by someone at the administration rejecting these. But it calls for an inspection, it calls for an investigation, a careful review of this. It calls for the kind of interview—and not the harassment of Mr. Blandon, not looking at him as the enemy, but rather looking at him as a source of information that's important to this Nation and to our people.

And I would hope that that would be the kind of thing that would take place.

And Mr. Chairman, I have a number of questions, and I know we want to get to Ambassador McNeil. I'm wondering if maybe, Jose, later we could follow through with some questions for Jose later on.

Senator **Kerry**. Yes. Senator, I couldn't agree with you more with respect to the issue of who has been pursuing these kinds of things in a serious way.

As the course of this week goes on, we're going to learn some more rather disturbing things about our own drug enforcement efforts in that process.

But let me just highlight it, perhaps, by asking you this, Mr. Blandon. You testified here some 6 weeks ago, talked at length about narcotics and General Noriega and so forth. Since that period of time, has anyone from DEA debriefed you?

Mr. **Blandon**. No.

Senator **Kerry**. Has anyone from Treasury debriefed you?

Mr. **Blandon**. No.

Senator **Kerry**. Has anyone from the FBI debriefed you?

Mr. **Blandon**. Well, the FBI, those working on the North case.

Senator **Kerry**. But not on the other things, the general narcotics?

Mr. **Blandon**. No.

Senator **Kerry**. So, there has really been no followup by this administration on your knowledge with respect to narcotics trafficking?

Mr. **Blandon**. Only I had one 5- or 4-hour meeting with the CIA.

Senator **Kerry**. And that meeting was the meeting in which—the basic thrust of that meeting was to examine your allegations regarding the CIA documents which were being distributed about American elected officials; is that accurate?

Mr. **Blandon**. Yes. And on that occasion, I took the opportunity to set forth some concerns that I had with respect to a report that had come out in U.S. and World Report in which U.S. intelligence sources were cited.

Senator **Kerry**. Were cited?

Mr. **Blandon**. The article cited United States intelligence sources saying that if I were a Soviet spy—was I a Soviet spy or am I a spy working for Noriega.

Senator **Kerry**. OK. Now, what I would like to do, Mr. Blandon, is I would like to follow up on that earlier testimony that we agreed we would take in closed session. We will do that later this afternoon, after hearing the testimony of the other witnesses.

But I do want to do that today. I think it's very important for the record. And I would also like you to be able to be available at some time later in the week if necessary, regarding further developments.

Mr. **Blandon**. Yes, I would like this, of course. Just some of the assertions made by Mr. Castro in terms of what I said, I think that would be good.

Senator **Kerry**. I remember you had mentioned that. Let me say for the record that after the last course of hearings, Fidel Castro invited the members of this committee to come to Cuba to ascertain evidence.

While we did not, obviously, go to Cuba, we met with the Cuban interest section representative here in Washington and set forth a series of requirements where we offered that code-cleared staff would be willing to go to Cuba. And in addition, we set out a series of requests, one of which was that they be allowed to talk to Robert Vesco, among others, in Cuba.

This was some 2 weeks ago. We have not heard anything back since then, and we are waiting to understand whether or not it will be necessary for staff to indeed make that journey.

But I gather you wanted to make some kind of clarification with respect to the assertions of Fidel Castro?

Mr. BLANDON. Yes, of course. Mr. Castro in the interview that he granted the NBC journalist, Maria Shriver, said a number of things. First, he said that the CIA had paid me $80,000 to present my testimony. And you will recall that in my initial testimony—and I will repeat it—that I made a public call on the CIA or any U.S. intelligence agency to state publicly who had paid the CIA—who the CIA had paid, me or Noriega.

I have never received any money from the CIA. That is one of Mr. Castro's lies.

The other thing that Castro mentioned in his interview is that he had never trafficked in arms to Central America. But U.S. evidence is overwhelming to the contrary. Personally, I can tell you that of the interviews that we had in Nicaragua when Castro sent more than 800,000 tons of arms to El Salvador, Castro's shipment of arms to the M-19, and lately Fidel Castro's arms shipments to Panama, carried by our own pilots.

Fidel Castro said that he had never had commercial relations of any sort with Noriega. But he did not speak of the visa business, which represented more than $80 million. And I presented before this hearing the names and companies that Fidel Castro uses for his business in Panama. And the United States has evidence of more than 160 front companies to get around the embargo and to provide high technology to Cuba.

This is another of Castro's lies.

Castro also spoke, also said that he had the record of the minutes of our meetings, alleging that we had never discussed the Medellin cartel problem and that we had only discussed political problems.

But if you study 1984 and June, when we were in Havana of that year, the main political problem that Cuba was facing at that problem was the Melo problem, and we went to Cuba, to Havana, specifically to discuss that matter with Castro.

I would like to see those records, because Castro must also have the record of the meeting that I held with the envoy of the Medellin cartel to make the arrangements to resolve the Noriega problem. He must also have a record of the 4-hour meeting that he held with Noriega to resolve the problem, and he must also have the record of the meeting that we had when he said that the problem had been resolved.

Three days after I returned to Panama, Mr. Chairman, everything that corresponds to the Darien laboratory and the transactions was returned to the Medellin cartel. So that the information that Castro gave NBC—none of his statements is true.

Moreover, I can assure you, Mr. Chairman, that 2 weeks ago in the Republic of Panama Castro's political team working in Panama, headed up by Ramiro Avreo Arvesu, Jose Luis, had a discussion with Castro with respect to the negative impact that these hearings were having on Mr. Castro's image.

Senator KERRY. Would you just slow down?

Mr. BLANDON. The political group of Castro which is operating in Panama had a meeting with officials of defense and also civil intelligence agency to discuss the effect which these hearings were having on the U.S. public. From those meetings, certain things were taken, were set out as tasks.

One of them was a policy to continue to discredit the witnesses. The other was to raise to the U.S. agencies which are progressive in the United States to insist to the Senators that this was a policy of calumny. And third, to start a campaign among the Latin American intellectuals to say that this was a campaign of the United States against Castro.

And they also took the decision at that meeting to raise the level of the internal problems in Panama, because if they can transform the anti-Noriega sentiment in Panama into an anti-United States sentiment this provides a possibility for political activity both in the United States and also in the intellectual circles in Latin America, because Castro has become involved so deeply in the defense of someone who is far from symbolizing even the Marxist-Leninist ideals that the policy of Castro says it is defending.

What are the reasons for Castro to continue to defend Noriega? The basic reason is that Noriega knows the relationship which Castro has had in different activities which have to do with drug trafficking and arms trafficking, and Castro also knows the importance of Panama in terms of providing for him.

Castro is more aware than many directors in the United States of the strategic importance of Panama for him. That is why that, without any view, they have violated the sovereignty of the Republic of Panama in sending arms, political counselors, and to maintain advisors, military advisors.

This latest information in much greater detail I had the opportunity for the first time during when I was in the United States to discuss this with the intelligence community of the United States, where I gave many more details of all of the Cuban intervention in Panama and the reasons Castro has in order to be involved in this and his concerns, because once Noriega falls the amount of available information to follow the threads to the links between Castro—and I have here a document which says the Colombian guerrillas call for a struggle against Panama.

You will recall that I spoke of the relationship between Castro and the M-19 and the arms traffic. The coordinator of M-19 and drug trafficking for Cuba, Ravello, is now in Panama. And these activities, which are an intimidation of the Panamanian public, are being programmed by the Cuban political group.

Senator D'AMATO. Could you give the name of the coordinator again for the record? I think that is important.

Senator KERRY. Would you restate the name for the record that you stated, the coordinator in Panama for Cuba?

Mr. BLANDON. Ramiro Abrero for the political group and General Abrantes on the military side. And in the case of the Colombian guerrillas, former Ambassador Rabello who is now in Panama, and the specialist in the United States, Arbesu, who is now in Panama.

This is the political group, plus four other members.

Senator KERRY. Mr. Blandon, let me at that point, there are some matters that we want to pursue on this. We can do it in closed session. There is some important testimony that I do need to get to, and we are slightly pressed here. So, if I may, I would like to interrupt your testimony at this time.

We will meet in closed session at the close of business today in order to pursue the matter raised earlier, and I appreciate your testimony.

At that time we will pick up.

Thank you.

I would like to call Ambassador Francis McNeil, if he would please take the stand.

Let me just announce that we will proceed, there will be two more witnesses for today, Ambassador McNeil and Michael Paul Vogel. Mr. Vogel is a convicted drug smuggler who is serving a 12-year prison term for running one of the largest marijuana operations in this country. His testimony will cover his career as a smuggler, but also he will talk about how the smugglers get by using some of the sophisticated electronics codes and otherwise. It is a good insight as to some of the problems that we face. In addition, he will corroborate the testimony that we will hear later from another witness later this week about specific drug flights which they made, and that will bear significantly on some of the Contra assistance programs that we have been talking about.

Mr. Ambassador, welcome. We are delighted to have you. Thank you for your patience.

I would ask if you would just stand for a moment so I may swear you.

Would you raise your right hand?

Do you promise to tell the truth, the whole truth, and nothing but the truth, so help you God?

Ambassador MCNEIL. I do.

Senator KERRY. Thank you.

If you could pull the microphone up close to you, would you state your full name for the record, please?

STATEMENT OF HON. FRANCIS J. McNEIL, FORMER UNITED STATES AMBASSADOR TO COSTA RICA

Ambassador MCNEIL. Francis J. McNeil.

Senator KERRY. And Mr. McNeil, what is your current occupation?

Ambassador MCNEIL. I am a retired Foreign Service Officer. I quit the Foreign Service in February 1987.

Senator KERRY. How many years were you in the Foreign Service?

Ambassador MCNEIL. Thirty-one.

Senator KERRY. And your most recent positions, beginning around 1979, were?

Ambassador MCNEIL. In 1978 I was Deputy Assistant Secretary of State for Inter-American Affairs, in the time of Ambassador Todman when he was Assistant Secretary. Then I was a senior inspector for about a year and a half, and also briefly served as a

Deputy Assistant Secretary of State for East Asian Affairs on loan, what we called the rent-a-deputy program. I became Ambassador to Costa Rica in the middle of 1980, and served there until the middle of 1983, from whence I went to the Fletcher School of Law and Diplomacy in Boston for a sabbatical for a year. I then returned to the State Department in the spring of 1984, and I served as Senior Deputy Assistant Secretary of State for Intelligence and Research until I quit in February 1987.

Senator KERRY. It is my understanding you have a prepared statement?

Ambassador McNEIL. I submitted a prepared statement which covers some of the material in the deposition, and in the interests of time, I thought perhaps it would be better that I did not go through that entire statement.

Senator KERRY. Well, we would be delighted—your statement will be entered into the record in full as if read, and we would be delighted to pick up on questions at that point.

[The prepared statement of Ambassador McNeil may be found in the appendix.]

Ambassador McNEIL. I could make a few.

Senator KERRY. Why do you not make a few general comments, introducing both yourself, your background in narcotics, the experience that you have had, and what brings you here.

Ambassador McNEIL. Well, I haven't been a user, sir.

Senator KERRY. Well, I didn't imply that.

Ambassador McNEIL. Well, there are different kinds of background, but I suppose my first exposure to the narcotics problem came as Deputy Assistant Secretary of State for Inter-American Affairs, and certainly as senior inspector for that year and a half. I led inspections out of the Inspector General's Office in the Department of State, an inspection of the Bureau of International Narcotics Matters, which had just been established under then Assistant Secretary of State Matea Falco, and inspections of our Embassies in Thailand, Embassy in Bangkok, and our Embassy in Rangoon. In all three inspections narcotics issues were a major component.

As Ambassador to Costa Rica, we had a very active DEA staff headed through my period by an outstanding DEA officer, Don Clements. Working with the government of Luis Alberto Monge in Costa Rica, Clements put Caro Quintero on the airplane. Unfortunately the airplane went to the wrong place, I am afraid, but due to Clements' efforts, and the efforts of the Costa Rican Government, they prevented Caro Quintero from turning Costa Rica into a base for his operations.

In the Bureau of Intelligence and Research, I was the chief operating officer, as the second person in the Bureau, and so I had occasion to look at narcotics issues from time to time.

Talking about the issue of narcotics——

Senator KERRY. Let me just interrupt you. I would try to get a flow going here, if I can, you heard the testimony of Jose Blandon; did you not?

Ambassador McNEIL. Yes, I did. I have not read his previous testimony, but I have heard this testimony.

Senator Kerry. But you heard his testimony here today. You heard him characterize the Medellin cartel. You heard him characterize the nature of the threat, if you will.

Do you agree with his assessment regarding both the threat and the Medellin cartel?

Ambassador McNeil. Yes, I do. I don't confess to familiarity with all the operations of the cartel, but clearly the cartel's formation——

Senator Kerry. Would you pull the mike down a little bit so we could hear you a little clearer?

Ambassador McNeil. Surely. The cartel's formation marked a quantum jump in the narcotics danger to the United States, if you will. It coincided with the explosion of demand that occurred in the United States. I think the cartel and the explosion of demand in the United States turned the arguments about the narcotics issue and the priority that we should have given to it in the 1970's or the early 1980's into one of the largest single threats to our national security. I think that, in fact, if you will permit me, Mr. Chairman, the problem that we have in the United States is that as a nation we have not recognized that reality.

I am not speaking in a partisan fashion. It is a major threat to which we have not devoted priority, we have not really constructed a strategy to deal with it, and we have not devoted a great deal of resources, given the magnitude of the costs of our national habit.

Senator Kerry. A simple question. You are sitting down at the State Department, you are involved in some of the decisionmaking process from State's point of view.

Why? Why have we not made this decision? Why have we only just now begun to come to grips with the reality of the cartel?

Ambassador McNeil. Well, I suppose part of the problem is that people make mistakes. But also I think, you know, your State Department, your Central Intelligence Agency, White House staffs, military, tend to react to national priorities as they perceive them. And I think that provides the ambience in which you find, in the cases I have described in my testimony, senior officials of the United States government kind of looking away because essentially of the obsession with Nicaragua.

If I recall correctly, there were similar things during the Vietnam war related in the Church committee documents, which I have not looked at recently. We have not put a national priority on drugs, and our bureaucracies do not respond.

I want to say something else, I think the people who work the problem; that is, in the Drug Enforcement administration, the small group of people in the Department of State, for the most part have been working very hard. In the law enforcement agencies the modest successes are overwhelmed by the size of the problem, the lack of resources, and the lack of a national strategy to deal with it.

Senator Kerry. Well, let me try to be a little more precise.

You were down at the State Department. You came back in 1983 from your service as Ambassador to Costa Rica, and that is a period I want to go into later. You came back in 1983, you took a year at Fletcher; correct?

Ambassador McNeil. Yes.

Senator KERRY. And then you came back to Washington when, in 1984?

Ambassador McNEIL. Spring 1984.

Senator KERRY. And in 1984 your job was what?

Ambassador McNEIL. Senior Deputy Assistant Secretary of State for Intelligence and Research, the No. 2 person in the State Department's Bureau of Intelligence and Research, the State Departrment's member of the intelligence community.

Senator KERRY. Did that include the gathering of intelligence regarding narcotics trafficking?

Ambassador McNEIL. Well, the receipt of intelligence, not the gathering, because the Bureau is in Washington.

Senator KERRY. I understand, not gathering, but the evaluation of that intelligence that had been gathered.

Ambassador McNEIL. If it became a major foreign policy issue, yes, we would do some work on it. I don't think we did outstanding work, but it is the kind of thing where, for instance, major problem areas like Colombia would certainly be dealt with in our daily analysis.

Senator KERRY. At some time in 1984 when you were at State in this position, did you become aware of General Noriega's narcotics trafficking?

Ambassador McNEIL. By 1984 I think it was fairly commonly believed that he was involved. As I recall, the state of the estimates at that time, which were repeated a year later. Noriega had become commander in chief in August 1983, having thrown out General Paredes, one of the many generals he threw out. At that time, probably, in hindsight, is when you really begin to see the growth of the Panamanian connection in all its panoply that has been discussed before these hearings.

By 1984, there was certainly hard information possessed by the Drug Enforcement administration and I think by the Central Intelligence Agency, about the involvement of Panamanian military officers, and there was even, I think, an occasional public ventilation of this.

There was, if I recall correctly, at that time no information, or at least no information disseminated that directly linked General Noriega to specific drug deals. Nonetheless, the conclusion then and again in 1985 was that not a sparrow falls in Panama without General Noriega getting a feather from that sparrow. And consequently, he had to know what was going on, and he had to be involved.

Well, that I think is a fair depiction of the state of the intelligence in 1983—in 1984, I am sorry. In 1983 it would not have been that view, I don't think.

Senator KERRY. When you were there at State as second in command, did you see——

Ambassador McNEIL. Not of State, sir.

Senator KERRY. No, no, I understand, as second in command of the division that you have described, did you see cable traffic and memorandums relating to General Noriega?

Ambassador McNEIL. I am sure I did. I don't have specific recollection of—the bureau dealt with events around the world, and so I would see a smattering of cables, of the most sensitive cables every day from all over the world, more particularly, with problems I was working on immediately, analytic projects I might be giving some supervision to. But there was considerable talk about Noriega and the Noriega problem certainly in 1984. There was a particular focus from our Embassy in Panama which our analysts who knew more about Panama than I did shared, and that was that Panama was slowly going to Hades in a handbasket, with Noriega taking over more and more control, the corruption becoming more and more evident, and you saw sort of a Somoza-like situation developing with an added fillip of narcotics trafficking which was growing. So there was concern about it.

It wasn't as if people didn't know.

Senator KERRY. Let me be a little bit more specific here.

Based on what we have had some conversation on, was there ever a formal review of policy regarding General Noriega, and if so, what prompted that?

Ambassador MCNEIL. Well, while I was sitting listening to Mr. Blandon, I was doing a little bit of a chronology in my own mind. As you know, the Department of State has censored certain portions of my testimony, so I will have to stay away from a piece of that, but let me——

Senator KERRY. Well, I think the only piece you have to stay away from is who expressed what at a particular meeting.

Ambassador MCNEIL. Yes.

Senator KERRY. And I am not going to ask you for that.

Ambassador MCNEIL. All right.

Senator KERRY. But there was a meeting, was there not?

Ambassador MCNEIL. I mean, it is a silly excision, but I feel sort of bound to——

Senator KERRY. Well, no, we are going to honor that part of their request at least.

But there was, was there not, a formal review, is that not accurate?

Ambassador MCNEIL. Yes.

Senator KERRY. And what prompted—did the Sy Hersh article of 1986 not prompt that review?

Ambassador MCNEIL. If I could review the chronology, which is about five dates, I think it helps understand events.

Noriega became commander in chief in August 1983, and by that time he is, you know, clearly the eminence gris and the controlling factor. The U.S. Government by that time, I think it is fair to say, is concerned about the Somoza-like slide of Panama. This is late 1983. How do you promote, sort of, civilian rule and end what is going to be a disaster in Panama eventually, as it has now become?

In May 1984 Nicolas Ardito Barleta is elected president of Panama. It is a contested election, there is some fraud in it, as we know. Nonetheless, it is a close election by, I think, most accounts.

The administration at that time is faced with a decision as to whether to back the election of Barleta or accept or recognize—not back it, but recognize the election of Barleta, who is a respected international civil servant and economist, or watch Noriega just take over the country because he and the guard will not let the man who probably got the majority, old Anrufo Arias, take the seat.

So, the decision, and I did not participate in it, since I was working in the intelligence area and did not give policy recommendations, but I was well aware of the discussions, and for the record, I thought they were correct, the decision was to recognize the legitimacy of Barleta, a decent man who wanted to civilianize the country and lead it toward a transition, and to see if that couldn't work.

Well, it didn't work. In August 1985 General Noriega gave signals of his displeasure in front of multitudes on Panamanian TV when he scolded Barleta for the way he had been running the country.

In early September, the Panamanian defense forces assassinated Hugo Spadafora for a variety of reasons, some of them certainly having to do with Spadafora's taking about the narcotics involvement of the defense forces and about Noriega's involvement specifically.

In mid-September 1985, Barleta seeks to act on this issue. He confronted, in a way, Noriega. Noriega fired him.

At that time there was a discussion in the Department of State and elsewhere in the Government about whether to back Ambassador Briggs' recommendations that we essentially do for Barleta what we have now done for Delvalle; that is——

Senator KERRY. In other words, back President Barleta.

Ambassador McNEIL. Back him. Briggs was overruled.

Senator KERRY. Do you know who overruled him? Where did the overruling come from, do you know?

Ambassador McNEIL. Well, I believe Elliott Abrams overruled him. I must say here, I have no use for Mr. Abrams, the proximate cause of my decision to quit, but I don't think he's ever been a supporter, per se, of the General.

Why was it done? I suspect it was a combination of——

Senator KERRY. Well, I do not want suspicions here. Either we deal with what we know or we do not deal with it. I mean, if you know why a decision was made, then we will hear it, but I do not want to get into speculation.

Ambassador McNEIL. I wasn't sitting in the meanings. I mean, there has to be some process of deduction. Briggs' recommendations were overruled. That is factual.

Senator KERRY. All right, let me ask you this.

Do you know if Director Casey raised the issue of narcotics smuggling—well, let me step back for a minute.

Did we in 1986 consider withdrawing support from General Noriega?

Ambassador McNEIL. That is after the Casey affair that we are talking about, but—oh, no it isn't. Let me get my dates right.

In 1986, in late May or early June 1986, Sy Hersh wrote this series of articles in the New York Times. That provoked an intelligence review and a policy review as I have laid out in my prepared statement.

The judgment of the intelligence community, I think every agency—I am not sure if I saw a military intelligence review of this, but certainly the Central Intelligence Agency and the Bureau of Intelligence and Research in the Department of State reached similar conclusions, the conclusions I described to you earlier, that while you didn't have what you might call probatable evidence at that time on Noriega, his power was such, his style of government was such, and the involvement of Panama or the Panamanian defense forces in narcotics trafficking was such that Noriega must be involved.

That produced a policy review in which—it's hard to deal with that in this case because of the blacked out portions.

Senator KERRY. Well, let me ask you this.

Nestor Sanchez was not part of the policy review group, was he?

Ambassador McNEIL. Yes.

Senator KERRY. He was part of that group?

Ambassador McNEIL. Yes.

Senator KERRY. Let me, just for the record, since it follows the question about Mr. Sanchez, let me state it is not Mr. Sanchez. But was—without revealing who said it, was argument put forward at this meeting that the Noriega issue had to be shelved until the Contra issue had been resolved?

Ambassador McNEIL. There were two meetings we're talking about. At the first meeting, argument was put forward that Noriega should go, for all the obvious reasons. There was resistance to this argument.

The meeting ended inconclusively. Several days later, there was another meeting, at which the statement you referred to was made.

There was another part which I think is not blacked out in my depositions. There was considerable discussion during this period in every meeting I attended of why don't we know more about what's going on inside the Panamanian defense forces since it is a key player in any transition.

And clearly, one of the things that was decided was that the United States Government should find out more about the nature of the defense forces and its other leaders; that is to see if there were people in the military who had the wit or the moral sense to want to get Panama out of the mess it was in, to preserve the military as an institution and to preserve some kind of future for Panama.

To my knowledge, nothing was ever done and the Panamanian case was laid on the shelf. I would point out to you—you may say this is conjecture, but I would point out to you that at the time the statement was made that Panama—that Noriega should be put on the shelf until Nicaragua was taken care of, at that time when these discussions were going on, if I recall correctly, the Pia Vesta affair occurred. It's now a matter of public record and in the testimony before this committee that Colonel North approached Noriega to see if those arms could not be provided in some way in supporting the Contra operation. I don't think that's a disputed fact.

There is also in the testimony of the select committees, as the Senators are well aware, an event which is probably fairly close in time thereafter in which General Noriega offers Colonel North, according to the testimony you have heard and according to Colonel North's own notes, sabotage missions inside Nicaragua.

I conclude that, given that these statements that were made and that I was well aware when I was Ambassador in Costa Rica that Noriega was fond of promising a lot of help, but not giving it that if he made that offer to Colonel North, he also told the Cubans that he was making the offer and he had no intention of complying with it. That fits with Noriega's track record.

But it seems very clear to me that the decision to do anything about Noriega was postponed. The results have not——

Senator KERRY. Let me pursue——

Ambassador McNEIL. For the cause of the Contras.

Senator KERRY. Let me pursue a few quick questions before we break for lunch, which we are about to do. Do you know if Director Casey visited with General Noriega in Panama?

Ambassador McNEIL. I think he did, since Mr. Casey traveled frequently. But the matter to which I refer in my testimony, my cleared testimony, is a meeting in Washington in early November 1985, I believe November 1.

Senator KERRY. And do you know if Director Casey raised the issue of narcotics smuggling with Noriega in that meeting or at any other?

Ambassador McNEIL. According to the memorandum of conversation which was sent to us, sent to the Department of State, but through the Bureau of Intelligence and Research, some weeks later, 2 or 3 weeks later, the memorandum said that he raised with Noriega the issue of the use of Panamanian firms to circumvent the trade and economic embargo against Cuba.

He said to Noriega, if I recall—and the documents, you would have to look at them to be exactly sure. My recollection of his remarks is that Mr. Casey wrote at the end or someone wrote for him at the end and he signed it, that he had not raised the matter of narcotics, nor of our concern about democratization in Panama, because he was sure that Noriega was well aware of our position on that matter and that was a matter for the authorities, the Ambassador in Panama, to take care of.

That is the way that memcon ended according to my recollection, which is pretty good on this one.

Senator KERRY. Are you aware as part of that recollection what Director Casey's attitude was toward General Noriega?

Ambassador McNEIL. Well, I don't recall ever discussing Noriega directly with Mr. Casey. But I am well aware, because of the several events that I described in my prepared statement, that Mr. Casey saw in him a valuable support for our policy in Central America, and particularly Nicaragua.

And it comes at a time when there was a lot of pressure in the United States building up in late 1985 for the first time really about the drug issue. And I have to tell you, Senator, Mr. Chairman, that it has been my off-and-on experience with Latin America that one of the major problems that we have is the problem of mixed signals, to which Mr. Blandon referred earlier.

You have a stated policy of the United States Government, advocated by its several Ambassadors, Ambassador Briggs and then Ambassador Davis, by the State Department itself, Assistant Secretary Motley and I believe Assistant Secretary Abrams at that time, that Panama—that we support democratization, we don't want to get too close to Noriega.

General Noriega is getting these signals from Mr. Casey that he need not pay attention. He is reading the body language from CIA and the Defense Department that he need not pay attention to the babbling from the State Department, that the stated policy is for show and essentially he, General Noriega, is the favorite of the Director of Central Intelligence and of a number of people in the U.S. military.

Senator KERRY. On that note, we will recess for lunch until 2:15.

[Whereupon, at 1:05 p.m., the subcommittee was recessed, to reconvene at 2:15 p.m. the same day.]

AFTERNOON SESSION

Senator KERRY. The hearing will come to order. We will continue with the testimony of Ambassador Francis McNeil, and after that we will begin with the testimony of Mr. Vogel.

Ambassador, I would remind you that you continue under oath as you were during the morning session. And I appreciate your patience in staying over.

You commented to me a moment ago that you wanted to try to put your testimony into a context at this point, and I would be delighted to have you take a couple of minutes to do do, and then we will pick up with the questioning.

Ambassador MCNEIL. I said, in response to a question, that I thought that the fundamental difficulty lay in the lack of a national priority.

Senator KERRY. The fundamental difficulty of what?

Ambassador MCNEIL. Of dealing with narcotics, the lack of a national priority; and that this led American officialdom in a couple of cases which I have detailed in my prepared testimony to look the other way, in the one case of course the coddling of Noriega beyond any time when one could reasonably doubt Noriega's involvement in drug trafficking to the United States.

And in that case, it had to do with the Contras and his supposed value to the United States in helping United States policy in Nicaragua.

Senator KERRY. Let me just be sure we lay that out in simple terms. It is your clear testimony as a former official of the State Department, as an Ambassador and as a Deputy Assistant Secretary of State that the State Department—that decisions were made by the administration to overlook known narcotics trafficking and the knowledge thereof in the interest of the other policy, being the Contra policy?

Ambassador MCNEIL. A decision was made to put Noriega on the shelf until Nicaragua was settled.

Senator KERRY. When you say "put him on the shelf," would you be more precise?

Ambassador MCNEIL. That is, not to deal with the Noriega problem until after Nicaragua was settled.

Senator KERRY. When did you become conscious that that was in fact the decision, that that was the policy?

Ambassador MCNEIL. I became conscious of that after the intelligence and during the policy review I described to the committee in June let us say, June 1986, shortly after Seymour Hersh's article in the New York Times.

Senator KERRY. Was there ever a review of policy which resulted in a coddling or turning away from Noriega prior 1986?

Ambassador McNeil. In 1985, as I testified, Ambassador Briggs recommended that we back then President Barletta against what was a coup d'etat, essentially, when Noriega fired Barletta, to do then what we have done now in backing President Delvalle.

Senator Kerry. And the decision then was to continue with General Noriega?

Ambassador McNeil. Well, I believe it to have been an uncomfortable decision, but the decision was that we could not do anything about it. Now, what underlay that decision I was not directly privy.

I must tell you that throughout my experience in Central America—we are beginning now in 1981-82, really—that Noriega's worth to the Contra program was vastly oversold. I cannot get into the details of that, but there certainly were times when he was supposed to be helpful and he did not help.

He seemed to follow the rule of promising us anything, but giving us a kind of political arpege.

Senator Kerry. I interrupted your point of clarification. Did you want to pick up——

Ambassador McNeil. Yes. The other case, to illustrate the point of the obsession with Nicaragua that overwhelmed what might otherwise have been more rational policy decisionmaking, the other case is the question of the Honduran general, Gen. Buesa Rosa. And we may want—I gather you may want to get into that with me a little later.

But those are the two cases where clearly the obsession with Nicaragua overwhelmed our national interest in getting at the prosecution of drug trafficking and, in the case of the Honduran general, a terrorist act to assassinate—the planning of a terrorist act to assassinate a democratically elected president of a friendly country.

Senator Kerry. What I would like to do is have you describe that carefully and precisely, so that we can understand precisely what that is about. And the reason I want to go into it, obviously, is that we have looked at Honduras partly this morning. I know that it has been a difficult story to follow to some degree.

But there is a continuity to it, and that is that there is a linkage between these countries and there is a clear spillover of the effect of the cartel from one country to another which is traceable over a period of time.

Also, there is, it seems, an approach generally by our Government of the United States which, as you have just described, placed at a lower level, a lower tier, the priority of stopping the flow of drugs in favor of other interests.

I think as we learn what those other interests are, we begin to see how this balance became somewhat warped.

I would like you to describe that. Who was Gen. Bueso Rosa and can you give us a description of what happened?

Ambassador McNeil. I would be glad to. I would make one other general point, as we talked earlier, and that is that narcotics knows no ideology. So that I am in a sense discussing a case where we have a conservative, a general from a conservative regime. This morning General Blandon talked about the involvement of Cuba, the arms trafficking to El Salvador, and I have testified to the veracity of that in my own prepared statement.

It seems to me that one of the things that has clouded America's vision about how to deal with narcotics is that conservatives have tended to think that only leftists smuggle narcotics and liberals have often tended to think that only conservatives smuggle narcotics. We have ample evidence of that in the public record.

We have an administration which focused very heavily on the case of Nicaraguan involvement in the Barry Seals affair. You have the administration focusing heavily, as it should have, upon the indictment of a couple of Cuban officials.

At the same time, you have exposes like Leslie Cockburn's "Out of Control," which focused only upon the involvement of people in the Contra supply effort, the alleged involvement, to be precise.

And these hearings I think are serving a very useful purpose in that they are showing that narcotics knows no ideology and that in point of fact the ideologies have met in some way in the person of General Noriega. I did want to make that general point.

Senator KERRY. I appreciate your underscoring that point, because it is very central to the theme of these hearings. In my opening statement at the opening hearing, I acknowledged that this began out of the initial allegations regarding the Contras and that was indeed the initial focus. And we then learned of the degree to which this has spread across all boundaries and the degree to which, as you have just said, it doesn't know any ideology.

So, we have shown, I think, in the course of these hearings instances of narcotics trafficking involving Nicaragua, as well as involving Contras, involving Panama, Colombia, and other countries.

Clearly, the final report of this committee will underscore the reason for that, which is very clearly that our interests, our ability to function in this hemisphere, our ability to make an agreement with the government, to have a military alliance, if necessary, to have an army that we can depend on, and so forth, is deeply affected by the loyalties that those particular entities have.

If those loyalties are to the narcodollar or to the Medellin cartel, we have a problem. And I think that's precisely what we have learned here: The CIA and the Defense Department and others who thought they had the loyalty of General Noriega, who thought they were dealing in whatever you could call as good faith, given the nature of the relationship, and who found that Noriega's true interest was Noriega and the continuation of his power structure, notwithstanding all the alliances and so forth.

So, that is a dominant theme of this hearing. I am glad you again pointed out and I'm glad you corroborate Jose Blandon with respect to that.

Now, I would like to focus more specifically on the Bueso Rosa case because I think that's extremely enlightening with respect to how some of these choices have been made and the kinds of choices that we have made.

Ambassador MCNEIL. If you will bear with me, I will go through a chronology of the case. It has its light as well as dark side.

In July 1984, Col. Charlie Beckwith and a Major Odorizzi, retired, informed the Federal Bureau of Investigation that Gen. Bueso Rosa and two Honduran merchants, Gerard Lachinian and

Faiz Sikaffy, wished to engage an American to assassinate the elected president of Honduras, President Suazo in those days.

The FBI began a meticulous investigation, which culminated on November 20, 1984, with the arrests of Lachinian and Faiz Sikaffy and some other people involved at an airport which the FBI controlled in Florida. They arrested them with 40 million dollars' worth of street value of cocaine. This was to finance the assassination of the president of Honduras.

At the same time that the people were arrested at Vero Beach, if I recall correctly, the authorities issued an arrest warrant for Gen. Bueso Rosa, who was at that time the military attache of Honduras in Chile, having been sent there in golden exile after the Honduran military and President Suazo had thrown out General Alvarez.

The case proceeds to a point where discussions between the prosecutors in Miami, Mr. McSorley and other people in the Miami Federal prosecution staff, reach agreement with General Bueso Rosa that he will return from Chile to face charges.

Gen. Bueso Rosa is not charged with narcotics. He is charged with RICO murder for hire counts in the assassination, in the attempt to assassinate the president of Honduras.

In July, arrangements begin for the trial. Plea bargaining is consummated. The other two gentlemen—the other two principals—there were other convictions in the case, but the other two principals are sentenced to very long terms in prison, not only for RICO murder-for-hire counts but also for the shipment of narcotics into the United States to finance the assassination of the president of Honduras.

In August, as you are familiar, I believe, with the testimony of Mark Richards, the Deputy Assistant Attorney General who was brought into this case, in around August the assistant U.S. attorney and the defense lawyer come to Washington to see a colonel assigned on the staff of the T, what is known as "T," the Under Secretary for Science, Technology, and Political-Military Affairs, Mr. Schneider in those days.

This is the first time the senior officials of State and Justice learn of the efforts to get Bueso Rosa off, as Mark Richards has testified. The defense lawyer meets with the colonel and with the desk officer from Honduras. The colonel asserts an American intelligence interest in Bueso Rosa, in getting Bueso Rosa off.

He asserts further, according to the memorandum of conversation, that Gen. Bueso Rosa has a future in Honduras, a future which could only be accomplished by a coup d'etat obviously.

The Departments of State and Justice—and Mark Richards plays a major role in this, as do our senior people, like Mike Kozak, Deputy Legal Advisor, Jim Michel, and myself—decide this is nonsense. The announcements at the time of the arrests made by the Departments of State and Justice quite properly categorized this case as a triumph for the administration's policy against terrorism and against narcotics.

You had a man who was trying to overthrow a friendly government and kill its president, and there was no reason to give him any official consideration.

Senator KERRY. And make it happen with narcotics dollars.

Ambassador McNeil. That is right, and make it happen with narcotics dollars. So, you have in a sense—there are three policies of the President of the United States which are sort of being ignored:

One is antiterrorism; another is antinarcotics; and the third is support for democracy.

The problem ends for a couple of weeks.

Senator Kerry. When you say "the problem ends"——

Ambassador McNeil. We don't hear anything more about it. The colonel is told by——

Senator Kerry. Did someone not stand up and say this is the most outrageous, ridiculous thing we have ever heard?

Ambassador McNeil. Yes, yes, I think everyone—certainly Mark Richards did, certainly everyone in State then dealing with the issue did.

A couple of weeks later, if I recall correctly—and I don't remember exactly how many weeks—I took no files home with me when I left the State Department—a couple of weeks later I received a call from a Deputy Assistant Secretary of State in the Bureau of Inter-American Affairs, William Walker, Bill Walker. He calls me in some consternation to ask if I can do something, anything to get the Defense Intelligence Agency to cancel a lunch it has scheduled in the Pentagon's Executive Dining Room for Gen. Bueso Rosa scant days before Gen. Bueso Rosa is to be arraigned. I forget whether he was to be sentenced at the time of arraignment, but he was to go before the courts.

Senator Kerry. I want to understand this correctly.

Gen. Bueso Rosa who is under indictment for RICO statute murder conspiracy to kill the president of Honduras——

Ambassador McNeil. Yes.

Senator Kerry [continuing]. Is invited——

Ambassador McNeil. And about to be sentenced as such.

Senator Kerry. About to be sentenced for this, is also invited to and about to have lunch at the Pentagon.

Ambassador McNeil. Yes, at the Executive Dining Room of the Pentagon.

Senator Kerry. Do you know with whom or why?

Who called you to stop that?

Ambassador McNeil. A Deputy Assistant Secretary, Bill Walker, Deputy for Central American Affairs in the Bureau of Inter-American Affairs called. One of my jobs was liaison with other members of the intelligence community, and the invitation was from officers of the Defense Intelligence Agency. Walker asked me if I could get this stopped.

So, I called Admiral Schmidt, who was then the No. 2 in DIA, who knew nothing about this but felt that it was a bit irregular that they should be inviting a man in the circumstances you have just pointed out.

Admiral Schmidt called me back later to say that he was working on it, that he understood that it was the idea of Nestor Sanchez that this lunch take place.

Senator D'Amato. The famous Nestor.

Ambassador McNeil. Yes.

Senator D'AMATO. That really did not surprise this Senator. I was going to ask, Mr. Chairman, whose idea it was, and the fact that the Ambassador at this point in time, this is the first I have heard of this caper, but he has not stopped yet. He still has his sphere of influence.

But I think that only demonstrates and kind of augments that which we have been suggesting. But, of course, the institution finds itself paralyzed, continues to go back to him, draw upon him for experience, draw upon him for counsel, draw upon him for ideas in dealing with the situation, and between him and a fellow by the name of Sorzano, who works I guess for the national security people, they are the guys who come forth with the manner in which we are supposed to be operating, and the operation is one of almost cover and backfill for their ineptitudes over the years, a shallow policy based on dealing with a very real threat, in my opinion, which is the Cubanization of Central America, and it is the Sandinistas, to whatever extent you want to take that—and reasonable people can disagree—but to the total elimination or thinking of any of the other transgressions that take place, murder, assassination, drug dealing, arms running, because do not interfere with this other policy.

Excuse me for my interruption, but Mr. Ambassador, your testimony is rather revealing as far as I am concerned.

Ambassador McNEIL. Yes, I do want to make clear that it is easy to blame Nestor Sanchez for his long-term relationship and his blindness about General Noriega, and he deserves to be held accountable, but the things that have happened, including what I am about to describe, could not have happened without other people being in accord.

Senator KERRY. I would like you to describe and finish this.

Ambassador McNEIL. All right.

Notwithstanding my conversation with Admiral Schmidt, it was necessary to have a large meeting in a State Department conference room. It is described as a cast of thousands by Mark Richards in his testimony. That meeting has no less than, I think, six senior officers of the U.S. Government. There are two Deputy Assistant Secretaries of State from Latin American Affairs, the legal advisor, Mr. Kozak, myself from the Bureau of Intelligence and Research, a senior officer of the Central Intelligence Agency, who I must say played no role in this effort to get Bueso Rosa off, and someone else, and I forget who it was. I think perhaps someone was there from the NSC, but I don't remember. Oh, and I believe somebody from the Narcotics Bureau was there.

There were a number of people from the Defense Intelligence Agency there, including a lawyer, and Mark Richards sort of patiently went through the notion that if you have lunch with this man, it won't look very good, and besides, you are going to be called down the next day to testify on his behalf about the intelligence value he allegedly holds for the United States, which neither the CIA nor the Department of State believe he holds in any event, and besides, it would be improper to do this.

The lunch, we believe, was canceled, but it took about an hour and a quarter of discussion about something that should have been handled on a telephone.

Senator Kerry. About something that should not have had to have been handled at all.

Ambassador McNeil. At all. I agree, sir. I am giving too much of the benefit of the doubt on this occasion.

But there the matter rests again briefly.

General Schweitzer, now retired, and Col. Nestor Peno testified, as is their right, on behalf of the General at the sentencing as character witnesses. Subsequently, Lieutenant Colonel North, as Mark Richards has testified, enters this, and no less than eight senior officers of the U.S. Government get involved in the effort to get him off.

Admiral Poindexter, whose notes say that the President would like something to be done for Bueso Rosa, Lieutenant Colonel North, Dewey Clarridge of CIA, Generals Schweitzer and Gorman, Fred Ikle, then Deputy Secretary of Defense, and Nestor Sanchez. The meetings at Justice are described in Mark Richards' testimony. They are described in a fashion in which it would appear that Steve Trott, who was then the Associate Attorney General, had been approached previously by someone—whether it was Colonel North or Trotts' superior, I do not know, but the approach is quite clear from this testimony.

Senator Kerry. Let me just state——

Ambassador McNeil. And Elliott Abrams of the State Department who reverses——

Senator Kerry. Let me just state for the record, the Mark Richards testimony which is being referred to was closed session testimony now declassified from the Select Committee on the Iran-Contra Affairs, and that is the testimony which the Ambassador is referring to.

Ambassador McNeil. And the effort, as Mark Richards says, is always described in terms of he's a friend of the United States. There is no specific reason for getting him off.

And I must tell you this is circumstantial, but it seems to me that the circumstantial evidence is such that one has to wonder if there is not a narcotics angle. It begins with the case itself, obviously. It adds Lieutenant Colonel North's notes which say that he is concerned about narcotics involvement of the so-called arms supermarket in Honduras, and it extends, of course, to the involvement of certain Honduran officers, one of them who loaned his Porsche, which must be difficult to buy on the salary of a Central American Army officer, loaned his Porsche to Pablo Ochoa, a leader of the Medellin cartel. That officer is Col. Said Speer.

Colonel North is quoted as saying in his note to Poindexter about the subject of getting Bueso Rosa off from serving any time that Bueso Rosa could sing songs we don't want to hear.

And my question, of course, is, What were those songs? Were they about narcotics or possibly something else? But what was so embarrassing that at least eight senior officers of the U.S. Government would think it necessary to get this man off?

Senator Kerry. Well, aside from the question of embarrassment, one has to obviously ask the question what kind of policy interest, what kind of song that might be sung merits taking a now acknowledged potential assassin who is seeking to assassinate the president of another country, paying for it through the proceeds of narcotics transactions, what does it mean when high Government officials come to a conclusion that this person is worth saving from a sentence, and somehow can be exonerated.

Now, obviously that full tale is not told through your statement. We are left to somewhat guess. But on the other hand, what is told is that there have been critical instances where basic decisions have been made Contrary to the best standards of commonsense, contrary to sort of the normal moral compass of the country in a way that has been detrimental to our larger interest. We must not have people out there who believe that there are ways and means of filling our streets up with narcotics and getting pardoned for it, or of getting away with it by virtue of other secret liaisons.

I think, the average American hearing this has got to question the judgment of some of these people and what they are doing. How is it that they lose their way so significantly? And I think what you have just related to us is a very important and chilling kind of example of the way in which choices have been made which have permitted our current dilemma to become the sizable dilemma that it is, and to be almost out of control.

Ambassador McNeil. I should say that at this point in time, the events I have described, there is a good side to it. A number of people in the Department of State banded together, the head of the Narcotics Bureau, my boss Mort Abramowitz, and myself, the head of antiterrorism—Ambassador Oakley had just moved out but his replacement was Ambassador Bremmer. Also Anne Wroblesky in the Narcotics Bureau, to write a number of memos, I find it fascinating that those memos were not provided the Iran-Contra committees, presumably because they were embarrassing to officials.

Senator Kerry. Who?

Ambassador McNeil. The Department of State eventually reversed itself. It was a rather ugly thing.

Senator Kerry. I understand, but as to memos, whose memos——

Ambassador McNeil. It was personally ugly. I was told I was looking for trouble by one senior State Department officer, for my efforts in trying to stop this rather bizarre scheme.

Senator Kerry. Mr. Ambassador, where did these memos originate?

Ambassador McNeil. The memos protesting Elliott Abrams' reversal, which was correctly described by Mark Richards in his testimony—originated probably mostly in our office, two or three memos in our office, but they were signed onto, and other people had a hand in the drafting, they were signed onto by Gerry Bremmer who was the terrorism person, by Anne Wroblesky, the Assistant Secretary for Narcotics, and the legal advisor's office—that is, Mr. Kozak.

Senator Kerry. I do want to request——

Ambassador McNeil. And in the end, while Bueso Rosa did get to go to a country club, I suppose you would call it, despite the effort to have him go in one door and out the other, in Mark Richards' testimony, Bueso Rosa is serving time, 5 years' exposure.

Senator Kerry. Well, we will ask State for copies of those memos forthwith, and make them part of the record.

Senator D'Amato.

Senator D'Amato. Well, Mr. Chairman, first, let me thank the Ambassador for his incisive testimony and also for that which you have submitted, Mr. Ambassador. I note that on page 5 you indicate that, and I quote, "Noriega's cozy relationship with American intelligence agencies may have even then protected him from close scrutiny as it related to drug dealing." There is no doubt that I think subsequent events have borne out your testimony.

And I go to page 10, you say something that is continuing, and it is a mystery to this Senator and I think to anyone who has attempted to even follow the Noriega saga, of why you would send a Deputy Assistant Secretary of State—now, that is not to deprecate that position, but why you would utilize——

Ambassador McNeil. I thought I was pretty low on the totem pole.

Senator D'Amato. But to carry a message of the significance and the volatility that it would be received by Manuel Noriega, a thug who understands power, to use a member of the State Department to do that when obviously it called for not quite so subtle an approach, but rather, that message being delivered by someone in the military who had the authority, et cetera, to say "Manuel, we are looking to arrange for a manner for which you can extricate yourself from the situation, but you are going to leave, and there is no doubt about that."

And so I refer to page 10 where you very clearly indicate that you have the measure of the man when you say "It was obvious that the meeting with Casey and the message from him confirmed Noriega's belief that the people who counted in the U.S. Government were backing his grab for power and that he had no reason to listen to mere ambassadors and State Department babble."

Now, that is a quotation from you, and I suggest that we have not learned today what you have cited some time ago in our dealing with him, that we sent him unclear messages, and that if we have the State Department come—and by the way, they happen to be correct, and I note that you even give Elliott Abrams some credit for his reversal of position, notwithstanding that you felt that he did you an injustice and I say that I think that is a credit to yourself, that you are able to put things in their proper perspective, and not hold a grudge as it relates to the factual situation that exists today.

And I look at page 11 where you say Abrams made clear Noriega had to go, and that he drew a proper comparison between Noriega and Marcos. I quote you further, you say "He ran into opposition not from Nestor Sanchez," and I think that is important that we understand that although he may be the person——

Ambassador McNeil. Senator, I think we are dealing with the two paragraphs which the Department of State insisted should be classified.

Senator D'Amato. Well, let's not get into that, then. We will skip over that. And if the Department of State has asked you to drop it out, I think you are absolutely correct, we simply cannot lay this matter to Nestor Sanchez. He may be a person who believes very deeply, but the fact of the matter is that in the final analysis, there is the Secretary of Defense, there were all those other people, et cetera, and if they choose to put reliance upon him and him alone, that is something that they are accountable for as well.

I just simply, Mr. Chairman, would like to commend the Ambassador for his steadforthness of purpose. I think he has played a very important role in trying to put some perspective on this, and at the conclusion of his testimony, Mr. Chairman, I would like to share with others what you and I have done as it relates to a letter that we have sent this afternoon to the President of the United States.

Senator KERRY. Thank you very much, Senator. We will do that.

I would like to just close out a couple of areas of questioning before we bring Mr. Vogel on.

Let me just clarify for the record here.

Subsequent to the meeting that Senator D'Amato has just referred to, Elliott Abrams came back to you with a different recommendation, is that accurate?

Ambassador McNEIL. Well, not to me.

Senator KERRY. But he came back with a different recommendation.

Ambassador McNEIL. That is right.

Senator KERRY. And that recommendation in effect, Elliott Abrams had been overruled, Noriega was going to stay; is that correct?

Ambassador McNEIL. No, that is—I mean, we are dealing with—I do not think I can talk about the two paragraphs. Elliott changed his mind. That is all I can say until these are cleared.

Senator KERRY. All right.

Ambassador McNEIL. The precedents—and I think I know something about this after 30 years of Foreign Service and about 12 in senior officer posts—for retrospective declassification of policy discussions, are pretty strong. I don't understand how the Department of State cannot clear this and clear everything that it cleared by way of discussion of meetings in the Iran-Contra affair. The precedents go back a long way. I won't bore you with them.

Senator KERRY. No, I do not disagree with you at all.

We took extra care with your testimony and went down to State Department with you in order to make sure that we were not revealing anything of a classified nature.

There are these two areas that the State Department in fact redacted and asked us to adhere to. One of them I decided not to adhere to, which is the mentioning of Bueso Rosa's name, and the reason for that is that that has been mentioned publicly, it has received widespread U.S. news media coverage, and I think it would just be incomprehensible and wrong to do that.

With respect to the other piece, we are trying to adhere to that, though I do disagree with that classification. And I intend to pursue that and will make a decision before our report is released as to whether or not that will remain in its current redacted form.

Let me ask you, though, whether in terms of this decision regarding Bueso Rosa, and the lobbying that went on about what position should be taken, you mentioned Mr. Abrams' name with respect to that.

Can you clarify to us the role that he played with respect to that?

Ambassador McNeil. Well, it is in Richards' testimony, and perhaps I can find it, but in any event, I don't need to—Richards is quite clear. He says that Elliott Abrams reversed the State Department position which was, of course, against giving any consideration to this man who had been convicted on two counts of RICO conspiracy, RICO counts of conspiracy for murder for hire.

Senator Kerry. So, in effect, Mr. Abrams found some worthy reason to suggest that he was worth caring about.

Ambassador McNeil. That is right. It is not apparent what that worthy reason was. As Mark Richards says in his testimony, no one ever explained in specific terms what were the reasons. Bueso Rosa had been a friend of the United States. He had been involved in helping us with the Contras.

Senator Kerry. I think that explains it about as well as going into the testimony could, which I was going to do.

Ambassador McNeil. I think it is toward the end of his testimony.

Senator Kerry. If you want to find it, I'd be happy to take a minute.

Ambassador McNeil. I have found it.

Senator Kerry. Why don't you read that into the record.

Ambassador McNeil. There are a couple of other people—Dewey Clarridge from CIA, General Gorman, Lieutenant Colonel North—and they're meeting on their last effort to try to get Bueso Rosa off from serving time. And I quote Mark Richards:

> And what was probably the most surprising was Elliott Abrams now concurred that we should do what we can for this man, which I must confess I saw as a change in the State Department's position. In all fairness to Mr. Abrams, he indicated he had to leave for another meeting. He got up, but his parting remarks were: "We should do what we can to accommodate this man." And then he left the meeting.

I should add that when I raised objections to this, I spoke to Abram's deputy, Jim Michel, with whom I had a long and useful association. Jim Michel told me that the Bureau of Intelligence and Research should not be writing memos because it would simply anger the people in his office, by which he meant Elliott.

He, Jim Michel, would try to do something about the case. The train, nonetheless kept rolling, and that's when we started trying to organize a backfire against this stupid effort to get Bueso Rosa off. And at that time I was told by Jim Michel that I was looking for trouble, and I responded to him something equally stupid. But it was very nasty business around that time.

People must have felt that there was some—you know, I can't understand it, but these people made a great deal of effort to get him off. And I don't understand it.

Senator Kerry. When did you become Ambassador to Costa Rica?

Ambassador McNeil. In July 1983.

Senator Kerry. During your term as Ambassador, did you learn of a trade that went on in guns and money and drugs?

Ambassador McNeil. We called it a triangular trade, because the history books had called another kind of obscene trade by that name.

This was in connection with the network that supplied arms from Panama, through Costa Rica, Nicaragua, to the Salvadoran insurgents, known as the FMLN.

Senator KERRY. Did you come to hear of Cesar Rodriguez?

Ambassador McNEIL. Yes, I did. I'm not sure whether I heard his name prior to or at the time of his crash, when he lost a plane.

Senator KERRY. The crash you refer to is the crash where he was flying in a Panamanian defense force plane and crashed in El Salvador?

Ambassador McNEIL. That is right. I think I had learned of his name before, but certainly we knew of the involvement of Panamanian pilots. And the route was as Jose Blandon has testified, through Costa Rica, a couple of small strips in Costa Rica, and sometimes through Nicaragua. There was a strip in Nicaragua called Papalonal, which is now on the public record.

Senator KERRY. As Ambassador, you learned of that through the U.S. intelligence, did you not?

Ambassador McNEIL. Yes, and our own devices. The Cubans who were running this operation out of the then Cuban consulate in San Jose were not very good in what the intelligence community calls their tradecraft. And they talked a bit much in the wrong places and they left some tracks.

And then you had visible tracks with Cesar Rodriguez's crash. But there were also Costa Rican pilots involved, including one Werner Lutz, who is now in Federal prison on the west coast someplace.

Senator KERRY. Mr. Werner Lutz is going to be a witness here this week.

Ambassador McNEIL. Bully.

Senator KERRY. Providing that we have the full cooperation of the various people involved.

Ambassador McNEIL. He should have some very interesting stories to tell. He was up to his teeth in both the arms smuggling and drug smuggling.

Senator KERRY. Now, with respect to the triangle that you referred to, could you tell us how narcotics fit into that so-called triangle?

Ambassador McNEIL. In a sense, it may not be nearly as important as the linkage between the M-19 and the Colombian drug barons. But even in those days——

Senator KERRY. This is 1980-81; correct?

Ambassador McNEIL. This is 1980-81. This is very early on.

Senator KERRY. And also, I want the record to be clear. You are certain that Cuba was also involved at that point in time, was it not?

Ambassador McNEIL. Yes, I am. It's a matter of public record. That information was declassified some time ago.

Senator KERRY. I understand that. I just, I want to be sure——

Ambassador McNEIL. I was aware of it at the time. I was personally aware of it, because we were aware of the operations of the Cuban consulate in San Jose.

Senator KERRY. And as Ambassador, did you oversee the sending of cable traffic which documented these kinds of things going back to Washington?

Ambassador McNeil. I made sure it was sent.

Senator Kerry. So, Washington also became aware of these kinds of things?

Ambassador McNeil. In fact, prior to my departure I wrote instructions for myself. This is July 1980. I left July 5 for San Jose. So, at the end of June I drafted instructions for myself to go in—instructions cleared at the highest levels of the U.S. Government—to go into then Costa Rican President Carazo and say: "You know, Cubans are smuggling arms to El Salvador, there's probably other dirty business going on, but they're certainly smuggling arms to El Salvador, and would you please close the Cuban consulate because of ~~their~~ illegal activities."

There was a great deal of reluctance in the Costa Rica Government of that day to do so, which had to do with the fact that the Minister of Public Security up until shortly before the time I arrived in San Jose was an asset of the Government of Cuba.

Senator Kerry. You're referring to Minister Johnny Echeverria?

Ambassador McNeil. Yes, I am. Yes, I am.

Senator Kerry. Who subsequently later was dismissed.

Ambassador McNeil. He was dismissed shortly before my arrival. Ambassador Bowdler, who was then our Assistant Secretary, came down and explained to the President of Costa Rica that one of his senior officials was involved in smuggling arms to El Salvador, and shortly thereafter Mr. Echeverria resigned for what were stated as personal reasons.

Senator Kerry. Did Mr. Echeverria continue to have a relationship with General Noriega?

Ambassador McNeil. I believe so. I don't believe that I'm at liberty to get into the details here in this room. But I think it is a matter of public record that Mr. Echeverria acted as what he himself described to Costa Ricans as a business agent for Cuba. And he traveled widely on all sorts of deals, and he certainly maintained a relationship with General Noriega.

Senator Kerry. Is it accurate——

Ambassador McNeil. As Echeverria did with the Cubans and the Salvadoran insurgency, and of course the Government of Nicaragua.

Senator Kerry. Was it known to the United States at that time that General Noriega maintained those other relationships?

Ambassador McNeil. I think it's fair to say that at that time there was nothing out there about drugs. Let me be very precise on that. The information that General Noriega must be getting a share of the drugs profits, it seems to me dates from 1983 or 1984. It had been long known that General Noriega had contact with every intelligence service. He'd never met an intelligence service he couldn't con.

And in a sense, he promised the Cubans things, too, that he didn't do.

Senator Kerry. Is it fair to say also that the early gunrunning structure that you described, which was in effect really in the effort to aid the Sandinistas in their effort to overthrow Somoza——

Ambassador McNeil. That's where it started. But we're now talking after the 1979 victory of the Sandinista revolution, with this network being used to support the insurgents in El Salvador.

Senator Kerry. And that became the infrastructure also, I mean, the whole smuggling infrastructure; did it not?

Ambassador McNeil. That's right.

Senator Kerry. The same people, pilots, planes, airstrips, et cetera?

Ambassador McNeil. If I may cite one case to you, it's the case of Exaco, which is a defunct——

Senator Kerry. I was going to ask you about that.

Ambassador McNeil. It's a defunct Costa Rican air freight outfit which had several planes, and one of them was a DC-4. The planes had been used in shipping arms from Cuba to northern Costa Rica, to the Sandinistas. The vice president was Fernando Carrasco, who is now dead. If I recall correctly, he was a Chilean expatriate, who was also working for the Government of Cuba.

And he moved to Nicaragua to work out of the airfield at Papalonal. All of this is on the public record.

But Exaco finally went down when it left one of its airplanes on an abandoned World War Two airstrip in Malone, FL, full of marijuana residue. It was a DC-4. It had come in with a full load of marijuana. This is probably 1981.

And of course, the involvement of Panamanian, Rodriguez in narcotics trafficking——

Senator Kerry. Cesar Rodriguez?

Ambassador McNeil. Yes, and Lutz as well.

Senator Kerry. Did you come to know someone named Jose Angel Guerra?

Ambassador McNeil. Oh, I know who you're talking about, yes. An aging gentleman now, who fought against Somoza in 1955 and I guess did a fair amount of smuggling in his lifetime.

Senator Kerry. You knew him also to be a narcotics pilot?

Ambassador McNeil. No, I did not.

Senator Kerry. You did not. You said smuggling. What kind of smuggling?

Ambassador McNeil. Well, arms. He was a man for adventures. I'm just saying that I did not know when I was Ambassador to Costa Rica, nor do I know today, that Mr. Guerra was smuggling narcotics.

I do know that——

Senator Kerry. Is that the father, Pillique, or is that the son, Jose?

Ambassador McNeil. I'm talking about the father.

Senator Kerry. The father, who is Pillique.

Ambassador McNeil. Well, that's a nickname, but it's Pillique. And that's who I thought you were talking about. Is this his son?

Senator Kerry. Yes.

Ambassador McNeil. I don't know.

Senator Kerry. Have you had occasion to meet someone by the name of John Hull?

Ambassador McNeil. Yes, I did.

Senator Kerry. In what context did you meet him?

Ambassador McNeil. It was in 1981, when the minister of planning asked me, as we were beginning to look at the possibility of expanding our aid programs, if I would go to northern Costa Rica with his deputy minister and fly around with a rancher-farmer who had been there for about 10 years, described to me as a pioneering sort.

And I did so. I spent a whole day with——

Senator Kerry. Who was this John Hull?

Ambassador McNeil. He was a farmer, a rancher in northern Costa Rica, in the San Carlos area.

Senator Kerry. Who put you in touch with him?

Ambassador McNeil. As I said, it was the minister of planning and development in the Carazo government.

Senator Kerry. Did you become aware at some point that he had a relationship with your station chief?

Ambassador McNeil. Let me put it this way, because I don't think I can in open session say that. I'm sorry, I really do feel some constraints, given the positions I've held.

I know that John Hull has said he had a relationship with the CIA, and I have no reason to doubt that. And I do recall mentioning to my station chief shortly before I left Costa Rica that I thought they ought to be careful because I thought Mr. Hull talked a lot. And that is about the extent of it.

The trip with Mr. Hull was to look at orange groves and drainage ditches and all of this stuff, and it was a very prosaic trip.

Senator Kerry. I just have a couple more questions and then I think we will close.

When I asked you about the triangular trade, guns, money, drugs, I asked you the role of narcotics in there and you started to answer, and I think you stopped.

Ambassador McNeil. I think I must have given an example, which was the Exaco plane. But you make enough money on narcotics that it becomes very useful to finance revolutions of any ideological stripe.

And there was also in those days a certain amount of freelancing going on, that you've got an empty plane going one way, so you might as well carry something on it, something that may well have been repeated later on in the privatized supply to the Contras.

For example, we had the issue of that airplane that stopped at San Andreas, supposedly an emergency. And the Colombian authorities, to their credit, found out that the plane and the crew were on a DEA watch list. But even a stop at San Andres Island for a Contra resupply plane is a bit suspicious, since San Andres is known to be a transshipment point for drugs.

That same sort of thing was certainly going on on the left. There were some people fired as a result at the Costa Rican customs, as a result of some of the scandals of those days.

The same sorts of people flying planes were flying drugs sometimes, like Werner Lutz and Rodriguez, like the Exaco operation.

Senator Kerry. You mentioned the Santa Elena strip?

Ambassador McNeil. No, I did not in my testimony.

Senator Kerry. Are you familiar with that strip?

Ambassador McNeil. Well, yes and no. Obviously, it happened long after I was there and the privatized war had begun. I would say that I still think the Contra support operation in the early days was clean as to narcotics in my view.

But Santa Elena, yes, I'm well aware of it. I've talked with Costa Rican officials.

Senator KERRY. "In the early days," how do you frame that?

Ambassador McNEIL. The first couple of years.

Senator KERRY. 1980, 1981?

Ambassador McNEIL. 1980, 1981, 1983. I may be wrong about that, but I had that sense from talking to other American officials.

Senator KERRY. To your knowledge?

Ambassador McNEIL. Yes, not only to my knowledge, but because of the considerable sensitivity on the part of American officials, not just in the State Department but in the Central Intelligence Agency, that narcotics was the kiss of death for a Contra program, whether it was the FDN or the off-again, on-again relationship, the very different relationship with Eden Pastora.

So, certainly when I left Costa Rica in mid-1983, I did not suspect anything like that. And I have a fairly good nose.

We also had a very active DEA station in Costa Rica. I said something nice about Mr. Clements before. They were very hard working. Together with the Justice Department and the Costa Rican authorities, we put together 18 extraditions under an old extradition treaty in 1 year—17 of them were for narcotics traffickers, and the treaty had never been used since 1927.

The Costa Rican Government under President Monge was very cooperative.

Senator KERRY. Once you had the private network created, however, and the cutoff and so forth, the opportunities changed, did they not?

Ambassador McNEIL. Well, I think so. If we look at the case of the Summit Aviation aircraft, where you have pilots and a plane that's been on the DEA watch list—and I gather you have testimony from other pilots in the Contra trade—you have a situation where in fact for a drug trafficker it becomes almost a free pass to somehow or other intimate to the authorities that you're really helping the Contras, so they won't look at your airplanes.

And clearly some of that went on. The Costa Ricans certainly felt that there was big abuse. I've talked to government officials from the previous government as well as the current government.

Senator KERRY. We'll have a few specific examples of that from the horse's mouth, so to speak, from some people who were pilots.

M-19 received some training inside Nicaragua; is that accurate? Were you aware of that?

Ambassador McNEIL. I was very aware, when I was in Costa Rica, of the M-19's presence in Nicaragua. The internationalists were a big thing with the commandantes.The M-19 had a long relationship with the Sandinista government.

Senator KERRY. Did they get some of their weapons from the Sandinistas?

Ambassador McNEIL. In at least one case, they either got them from the Sandinistas or they got them from Costa Ricans who kept a share of the weapons from the Nicaraguan revolution. The weapons in the Palace of Justice were—perhaps I had better explain the Palace of Justice.

The M-19 took over the ministry of justice in Bogota and the Colombian Government stormed the palace. There was a great loss of life. The M-19 I think believed the weapons it was using were not traceable, but they were in fact traceable.

They were traced to—a number of them were traced to a batch of weapons which in the very early days of the Sandinista revolution were given by the Government of Venezuela to Costa Rica and to the Sandinista rebels. We're talking about a batch of weapons that probably came to Costa Rica in mid or late 1978, the very early days. This was before the Cubans took over the shipment of logistics and munitions to the Sandinistas.

And those weapons were traced. Now, they either came to the M-19 from Nicaragua or they could have been cached in Costa Rica and shipped out of there by Costa Rican leftists, members of the arms net. But they would have been—the M-19 was very much present in Managua during this whole period.

They got training in Nicaragua, surely. But exactly what kind of training the M-19 got, I don't know.

Senator KERRY. Let me just ask you to suspend for 1 minute, Ambassador.

[Pause.]

Senator KERRY. I'm trying to decide whether we are going to proceed with Mr. Vogel today or tomorrow morning, given the amount of testimony which needs to be digested. It's 3:25 now. I have a couple more questions.

I think it may be wise to perhaps begin a little earlier tomorrow. We have Mr. Quintano tomorrow. We can start at 9:30. Mr. Quintano, who is about a 3½-hour witness or so on Haiti; and Mr. Vogel, who will lead us into some of the flights which the Ambassador has talked about and some of the network and also help corroborate the testimony to come yet from Mr. Palmer, who will tie into the former testimony of Mr. Rodriguez and Mr. Blandon.

I think that may be the better way to proceed just in terms of trying to tell a simple story here that can be easily followed, which I know this morning was not.

If I can ask you another question in terms of testimony yet to come and some future efforts of this committee, can you tell us about Barry Seal and the sting operation against the Nicaraguans? Are you familiar with that?

Ambassador McNEIL. Yes, I learned about it shortly afterward. I wasn't familiar.

Senator KERRY. What role were you in?

Ambassador McNEIL. Deputy Assistant Secretary of State for Intelligence and Research.

Senator KERRY. And what year would this have been?

Ambassador McNEIL. I'm sorry, sir. I don't know.

Senator KERRY. You don't recall the year?

Ambassador McNEIL. I don't recall the year that the sting went on, but I learned about it shortly after. It might have been 1984, but I don't remember. Whenever those photos were taken.

Senator KERRY. What can you tell us about Barry Seal and the sting operation?

Ambassador McNEIL. I didn't know Seal's name until afterward, but we were briefed, the Department of State and the intelligence community briefed on the sting, about taking photos at the airport in Managua of this plane which was, oddly enough, the same plane in which Hasenfus crashed, the C-123, with the load of drugs and the presence of Paul Atha, and Federico Vaugn, who were associates, shall we say, of the ministry of interior, if not officials.

That's all that—well, there is one other thing that I think has to be said. Someone in the White House, I understand, leaked this story to the press. The zeal of the administration to get the Nicaraguans, to get the Sandinista government of Nicaragua, outweighed its judicial judgment, because the story was leaked to the press.

And the Drug Enforcement administration was quite angry, as I recall, because they thought they were in a position to make a pretty big case and the sting operation was blown. I remember that they were angry and they told some of my staff that at the time.

Senator KERRY. Mr. Ambassador, let me ask you if there is any area, I have not purposefully gone into the early inspector days that you had when you were with the State Department.

I know you had a very interesting experience with respect to Thailand and the whole enforcement issue, which in a sense underscores some of the problems that we continue to have today.

I do not want to dwell on it at length, but could you give us just a very quick summary or flavor of that?

Ambassador MCNEIL. I guess that in those days I learned something, there is not any quick fix for dealing with narcotics problems, which now seem small compared to what we face today.

Senator KERRY. Well, let me ask you this. People are beginning to ask, Is there any fix?

Ambassador MCNEIL. I think there is, a national dedication, to the devotion of resources and the construction of a strategy which gives equal billing to demand as well as to supply side.

It is easy to blame foreigners. It may be even good politics to blame foreigners. But it is not good policy. Because what we have now with Latin America is, you two Senators know quite well, that the Latin Americans blame us for our insatiable demand and we blame them for their inexhaustible supply. And we are not getting anywhere.

The only way we can get our neighbors, I think, to cooperate, to give them an earnest of our good faith in this matter, to put a lot more resources into the demand side. And to do it over a long-term basis. Then we can go to them with clean hands and say, "You have got to do more about supply."

There are some hopeful signs, in a way. The fact that so many of these countries now are users instead of just being producers, or processors or so, or transporters, means that these countries now have, like Colombia for example, the problem of Bazuko destroying their society. There is now more of a sense among some of our neighbors that the problem is not only a gringo problem, but it is a Latin American problem.

But we are going to have to do a lot more, we are going to have to be more consistent, and we are certainly going to have to stop giving signals that if you have a military or an intelligence relationship with the United States it is a license to commit major crimes in this country.

Senator **Kerry**. Mr. Ambassador, I want to thank you. Is there any area that we did not cover that you particularly wanted to? Or do you feel as though you have had your say here?

Ambassador **McNeil**. I guess, if I could say something about policy toward Noriega now.

Senator **D'Amato**. Let me, if I might, Mr. Chairman, comment.

I think it is rather important as we talk about policy toward Noriega, literally as the clock ticks by, we face a catastrophe in the making because there is a little known provision that was put into law, as you and I know, by Noriega's puppet government, his assembly, which will release up to or over $170 million starting on April 8, that is within 4 days, the first payment of some $20 million which will be made available as a result of the transfer to the Banco Nacional de Panama, as a result of the edict which his assembly has passed, will take place.

That $20 million cash transfer will take place on April 8. Therein within a matter of days to follow, over $150 million, which has been deposited by some 400,000 depositors, the average accounts are rather small, but they accumulate to over $150 million, will be available to transfer again to the Panamanian National Bank.

That cash transference, that infusion will certainly give to Noriega a tremendous ability to leverage psychologically, as well as to make immediate payroll to his military and to others, a boost.

More importantly, I am deathly afraid that what it will do is permit Noriega to print his own currency, using these dollars as backing them up, and he could print five, six, seven, eight, nine times for every one American dollar. So, he could actually print maybe close to 1 billion dollars' worth of his own currency.

Now, that would do two things. It would plunge the country as it relates to the very people who have led the drive against him, the business community, the middle class, into economic chaos and despair.

It would give him the ability then to leverage as it relates to the poor people and the government workers the ability to be totally dependent upon his new currency, and that is what the Cuban group of intelligence officers, part of their mission is to help prepare this national currency.

I think it is important, Mr. Chairman, that we act now. We have an opportunity, a window, by which to prevent this. And notwithstanding the fact that the Congress passed or the Senate passed something like 92 to 1 our resolution calling upon the President to evoke the IEEPA, the International Emergency Economic Powers Act. It has not been done.

Our letter, Senator Kerry's letter and mine, to the President, which is going out this afternoon, copies of which have already been sent to Secretary Baker and to the State Department, would request the President to use that power, in that manner blocking the transfers of these over $170 million that will otherwise take place.

It would be a tragedy to have this situation come down upon us. It is a little known provision which if Noriega's people enact it, which will give them access to this cash. Unless the IEEPA, the International Emergency Economic Powers Act, is invoked to freeze the remaining Panamanian bank assets that are in the

United States, and they total well over $150 million, those are assets outside of the Panamanian bank, why then I fear that we are going to have a situation that will go much longer, plunge Panama into tremendous economic chaos, and give to Noriega an incredible coup.

I would hope that the administration would respond. I have been attempting to reach some of the President's people today to advise him of our letter, so that they would have an opportunity not only to respond to public inquiry but they would have an opportunity to deal with this situation, and time is of the essence.

Mr. Ambassador, let me congratulate you for your not having overstated but your having been candid with us in giving us a very accurate picture of the sorry situation that has taken place, the preoccupation with admittedly an important national security concern to the total exclusion, it would appear, of the other national or other national concerns, certainly the drug cartel.

And the gathering strength and momentum that has picked up even since your departure is something I think that staggers many, probably even including yourself. So, I thank you for your testimony.

Senator Kerry. Senator, I thank you for not only the joint effort there with respect to this freeze of assets, which I absolutely concur is critical. These are the most critical days for Panama.

Jose Blandon sat in front of us today and said, the next 4 weeks will really tell the story. You have just described 4 days that may tell part of the story.

And one of the most disturbing things that we heard today from Jose Blandon, as well I think as from Ambassador McNeil, is the degree to which mixed messages have a very deep impact in this region.

And judging by today's front-page story in the New York Times, which I have no doubt can be as easily read and will be in Panama as it was here, and certainly the message has been there for days anyway, General Noriega is reading the mixed tea leaves right now. So, it is important for us to pull this policy together and to act in straight fashion.

Today, I think, has been an important introductory day, as difficult as I know it has been for some to be absolutely clear about where we are going. Where we are going is as follows.

We will be following up on the groundwork testimony laid by Mr. Blandon and Mr. McNeil, in which we have seen additional signs of drug involvement, both cartel and otherwise, in Honduras, in which we have learned yet again of the manner by which even as General Gorman described in the first days of our hearings 6 weeks ago this private network and this entire infrastructure of smuggling came to be used, the one and the same for drugs, for money, for guns.

And how some of the same players who showed up in the early days of the Sandinista efforts against Somoza subsequently became some of the players in one or all of those pieces of the triangle that was described by Ambassador McNeil.

We have learned also even more of the Cuban connection. We have learned even more of the Medellin cartel tentacles. We have learned more in corroboration of Milian Rodriguez about the money laundering process and the amount of money involved. And I think we have learned more about General Noriega, both his character as well as his nefarious activities.

We have certainly learned more about our own Government's commitment or lack thereof to a clear strategy with respect to narcotics, whether it is through the Gen. Bueso Rosa affair, in which a man who uses narcotics money as part of a plot to assassinate the President of another country, finds champions for him within an administration because he is helping them to pursue their goals in the region.

Or whether it is other aspects of the decisionmaking process which have seen us be anything but relentless on the issue narcotics.

And the bottom line here, and I am going to repeat it day in and day out, is that as long as there is an Officer Eddie Berne in Senator D'Amato's New York or an Officer Sherman Griffith in my Boston, who are trying to wage a so-called war on drugs, and yet we are willing to see as a national government decisions made which do not back them up, which less than back them up, which undermine their efforts, then we do not have a serious effort on narcotics policy in this country.

We have also learned more today about the degree to which this money laundering and the narcodollar have gained a power of their own. And that is a theme which will pervade all of these hearings.

And I think as the week goes on, people will gain a deeper sense and some of the retroactive testimony, and even prospective testimony, will fit. The testimony of one pilot will gel with another pilot. And the testimony of Mr. Blandon will gel with Mr. Rodriguez, and that will gel with still another witness.

So, we will begin tomorrow with two of those people who will tell firsthand stories of their involvements in narcotics trafficking, and tomorrow we will have our closed session, I believe we had to change it from today, with Jose Blandon. And so we stand in recess until 9:30 tomorrow morning.

[Whereupon, at 3:45 p.m., the hearing was adjourned, to reconvene at 9:35 a.m., April 5, 1988.]

DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: THE CARTEL, HAITI AND CENTRAL AMERICA

TUESDAY, APRIL 5, 1988

U.S. SENATE,
SUBCOMMITTEE ON TERRORISM, NARCOTICS AND
INTERNATIONAL OPERATIONS
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m. in room SH–216, Hart Senate Office Building, Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senator Kerry.

Also present: Senator D'Amato and Jack A. Blum, special counsel.

Senator KERRY. The hearing will come to order.

We continue now the hearings of the Narcotics Terrorism Subcommittee. We will hear briefly from Mr. Martin Mayer who is an author and expert with respect to banking in the United States, and then we will move to the testimony of two of our witnesses who are drug smugglers themselves, Mr. Osvaldo Quintana and Mr. Max Vogel.

Mr. Mayer, we welcome you. I thank you for flying in to be with us today.

Would you please identify yourself for the record?

STATEMENT OF MARTIN P. MAYER, AUTHOR, "THE BANKERS," NEW YORK, NY

Mr. MAYER. My name is Martin Mayer. I write for a living. I have some interest in Panama from working with Sol Linowitz on his fascinating memoirs, and I have some knowledge of the drug scene from 10 years on the board of an organization called Exodus House in East Harlem.

Senator KERRY. Where do you reside, Mr. Mayer?

Mr. MAYER. I live in New York City. I live in Manhattan.

Senator KERRY. And you have been an author for what period of time?

Mr. MAYER. I have not had a job since 1954.

Senator KERRY. All right. I always heard that writing was the hardest work of all.

Mr. MAYER. Yes. I am not going to complain. One controls one's own time.

Senator **Kerry**. Would you please tell me what books you have authored with respect to banking?

Mr. **Mayer**. I wrote 33 years ago a book called "Wall Street, Men and Money," and then was out doing other things, writing about other subjects mostly, until 1972 when I went to work on a book called "The Bankers" that was published in 1975, on which the American people at their pleasure and in their wisdom spent almost $5 million that year, some of which sticks to the author, and persuaded me to continue writing about financial subjects.

There was then a book called "The Fate of the Dollar" that came out in 1980, and a book called "The Money Bazaars" that came out in 1984, and I have written a number of pieces in periodicals.

I write a column two or three times a month for American Banker, which is a daily paper, and indeed, it was a column entitled "Panama and the Banks" which I believe called Mr. Blum's attention to my interest in this matter, which grows out of a continuing interest in bank secrecy questions, in the way banks can be abused, and the importance of supervising the activities of banks. We will keep that dirty word, "regulating," out for a little. I think we probably have the necessary regulations, but we do not have anything like the necessary supervision.

Senator **Kerry**. It is my understanding that you have an opening statement that you would like to make, and you are welcome to do so.

Mr. **Mayer**. I tried to organize it last night as I came in rather than the column which is, of course, available to you.

The basic point is that banks can be used to make big money as anonymous as small bills. And we have therefore required our banks to report cash transactions of $10,000 or more.

Senator **Kerry**. That requirement went in recently; did it not?

Mr. **Mayer**. Actually, they began to enforce it recently. It goes back, I think, into the seventies. The Bank Secrecy Act is 1970, though I believe there was an amendment subsequent to it. Basically this requirement goes back to 1970.

We do have procedures which are established by which law enforcement officials can access bank records when there is probable cause to see the money flow as the product of criminal activity. We do that more or less routinely in this country. There are ways in which district attorneys, U.S. attorneys can in fact get access to bank records. It is not easy, it should not be easy, but it can be done.

These procedures can be and have been extended internationally. The three most notorious bank secrecy havens once upon a time were Switzerland, the Bahamas and the Cayman Islands. All three of these now have treaties with the United States permitting competent U.S. authority, on submission of evidence, to look at the books of locally chartered banks. My understanding is that these treaties were not easy to get. In the case of both the Bahamas and the Cayman Islands, they came around only after it was made clear to them that the U.S. Government had the power to disrupt their tourist trade quite substantially if they would not do so.

We had a flap only a year ago when the Treasury Department, someone had a sudden excess of zeal and was, as a result—as a result, he left the Department shortly thereafter—decided that he wanted a similar provision in our tax treaty with the Netherlands Antilles.

Senator **Kerry**. Let me ask you if you could speak a little slower and a little more clearly, I think it is going to be a little easier to follow you.

Mr. **Mayer**. You can have these notes, but I do not know how much they will help you.

But there was this effort to get a similar treaty with the Netherlands Antilles, and the Netherlands Antilles, which has been a haven for money which does not wish to have its provenance known, resisted it, and we attempted to take certain tax benefits away from them, which then provoked a great flap, and the person who wanted to do it was gone, but my understanding is that the Treasury Department is still indeed—still has the intention of canceling aspects of that treaty because the Netherlands Antilles will not give us access, and that that matter still pends.

This is not a radical crusade. Our treaty with the Swiss was negotiated by the Ford administration. The treaties with the Bahamas which turned out to be so useful in the insider trading investigation, was completed during the first Reagan administration. There is nothing political about this, or should not be.

Even before we had such treaties, William French Smith's Department of Justice successfully subpoenaed records from the Bank of Nova Scotia branch in the Bahamas because the Bank of Nova Scotia clearly fell under the rubric of the Bank Secrecy Act of 1970, ordering the Secretary of the Treasury to compel the maintenance of records of foreign financial transactions by "persons doing business in the United States." Any bank, in other words, which does business in New York can be, under the Bank Secrecy Act of 1970, compelled to keep such records and to make them available to U.S. law enforcement authorities.

Indeed, if you read the Bank Secrecy Act of 1970, it, I would think, not being a lawyer, compels the Secretary of the Treasury to order banks to do this, though the Secretary of the Treasury and the bank regulators have not been willing to exercise their powers under the act except in extraordinary situations like this Bank of Nova Scotia matter.

Panama, meanwhile, with our encouragement to a large degree, has promised the 100-odd bank branches that are chartered there both freedom from local taxes on their international efforts and absolute secrecy, and we have sat still for it. Indeed, in these waning days of the second Reagan administration, the worry seems to be that following the current unpleasantness in Panama, the banks will pull out, which is something which, from a drug smuggling point of view, I am afraid one would have to consider rather desirable unless there is a major reform.

Panama today is, by general agreement, the locus of the largest money-laundering operations associated with cocaine. They use the dollar. Therefore, there is a demand for currency. It is extremely difficult to track money because it goes right into the economy there. It does not go into bank vaults. It does not have to be converted into local currency to be used. There is a virtually bottomless pit of demand for dollars, which of course, can be satisfied by flying in the money from the sale of narcotics in this country.

If we are serious about stopping the flow of this poison into our society, steps to make the transfer of the money more difficult are very nearly as important as steps to make the movement of the drug itself more difficult. So long as the dollar is the vehicle currency for world trade, no bank anywhere in the world can survive without access to the CHIPS computer in New York. That is the Clearinghouse Interbank Payment System through which virtually all international payments flow at this point.

It is within the power of the Comptroller of the Currency and the Federal Reserve to deny access to the New York clearinghouse to banks that fail to cooperate with the investigation of drug smuggling and drug sales and the laundering of drug money. It would seem to me that one of the first steps that could be taken, and could be taken very simply is for this Government under the powers that the regulators already have, to insist that anyone who wishes to use Fedwire or CHIPS must make available to law enforcement authorities, under proper procedures, information relating to the movement of money in their foreign branches, and particularly their Panamanian branches.

One hears the objections echoing: Private banking is the most profitable thing that our big banks do, they think. It is not really because it is the avenue by which capital flight enables countries that borrow to get the money out so they cannot pay you back. We will lose business to Europe. Let the Europeans have the drug business. It will weaken the dollar as a vehicle currency. Fine. The cost to us of the worldwide use of the dollar as a vehicle is now considerably greater than the benefits we have so long derived from seigniorage. In fact, the greatest single danger to economic stability in the years ahead is the use of a debtor country's currency as the vehicle for trade, especially when one factor is the continuing invitation it offers to the Congress and the executive branch, the continuance of fiscal irresponsibility.

But the first question is cocaine. Getting rid of Noriega will not, it seems to me, give democracy any kind of chance in Panama so long as the cocaine money flows through Panamanian banks and is available for the corruption of the Panamanian armed service and whatever elected authorities we wind up with. Panama clearly must begin to print its own currency and stop using ours. It is enormously in our interest to do so.

And of course, they will, first as a matter of self-respect after the present humiliating business ends. It may be desirable, but it is a very humiliating experience for them. And second, to enable investigators to begin to trace dollar flows through Panama as they cannot when the basic demand for the dollar is internal within the Panamanian economy.

We are not immune from corruption in this country either. The stain of cocaine addiction has already spread widely in this society. A little inconvenience in the banking system is a tiny price to pay for controlling and perhaps reducing that stain, and it can be done by making money flows much more public, much more available to constituted authority. I think the legislation is already in place and people have to enforce it.

Senator KERRY. Thank you very much, Mr. Mayer. I appreciate that.

I think both Senator D'Amato and I would like to ask you some questions. Senator D'Amato serves I think on the Banking Committee and is very familiar with some of these matters.

Let me just ask you, so we can try to simplify the language that you have used here, and I want to do that so that we lay people who do not deal with banks every day can really grasp the bottom line of what you are saying.

Just tell us, why is it that Panama, the Cayman Islands, Hong Kong, some of the others, why are they so attractive to the smugglers? Why do they not just come to New York?

Mr. MAYER. Well, partly because here the possibility exists that—well, first, large cash payments really must be reported. We have begun policing that. Large fines and very embarrassing news stories have been around for people who have violated the rule that you must report every cash transaction of more than $10,000.

Senator KERRY. So, the moment you have a reporting requirement, there is a deterrent.

Mr. MAYER. Oh, there is a very substantial deterrent. You call attention to yourself in ways that you do not wish if you are in this business.

Senator KERRY. And the moment you have that kind of deterrent in one banking center, you create pressure on those who use cash as their stock in trade to move somewhere else where they can continue to do it.

Is that accurate?

Mr. MAYER. Yes, but we facilitate that by not distinguishing between those countries which permit us to get access to such information and those countries which do not in the use of the U.S. payment system.

Senator KERRY. So, what you are saying is there are some countries on which we have been willing to be strict and other countries on which we have had a totally loose, open situation which has encouraged narcotics dollars to flow there

Mr. MAYER. In some ways, Panama is the worst.

Senator KERRY. Why?

Mr. MAYER. Well, my understanding is that when, you know, the first of the presidents that Noriega deposed, Nicolas Ardito Barleta, was——

Senator KERRY. Could I just interrupt you there? I apologize. I have an emergency phone call here which I do need to take.

Senator D'Amato, could you continue on this? I will be right back?

Mr. MAYER. Should I finish to that one, Senator?

Senator D'AMATO [presiding]. If you would.

Mr. MAYER. This was the idea of Nicolas Ardito Barleta, who later became President of Panama, elected, and was deposed by General Noriega before he deposed Delvalle, and he thought that it would be very useful to the Panamanian economy, a major source of jobs, to have Panama become a banking center, and he sold the idea in this country basically to AID. And we were quite helpful to them in getting a banking industry started.This is secondhand. I have not personally investigated this, though I have checked up on it after I was told it.

And it is understood that the easiest way to get banks to come is to guarantee them a complete secrecy. Then the business, they do not—one does not want to put this too unpleasantly, but what Senator Kerry said is basically right, that if you require reporting in one jurisdiction, there are people who like the money that comes with not reporting who go seek out other jurisdictions.

Panama did extremely well on this. Also, Panama is particularly useful, as I noted, because they use the dollar, and therefore, large dollar flows into and around Panama are not noticeable the way they might be in Colombia itself where basically people do still use the local currency as what they spend for their needs, so that you have, to take an example entirely on the other side, if somebody in the Federal Republic of Germany acquires dollars, he changes it into marks quickly. Marks are likely to appreciate in value, and where he lives they spend marks.

There are places in the world where people who acquire dollars tend to keep them in dollars, but even there, usually if you want to pay for a nice house, you are going to do it in the local currency.

In Panama, nobody ever has to change the currency, nobody ever has to go to the central bank to say give me your pesos, give me your yen, give me your marks, I want to use them. And therefore, any movement of dollars can be accounted for by the needs of the local economy.

This is something that we have now found useful, but it is not good for Panama over time, and in connection with cocaine smuggling and such things, it certainly is not good for us because it provides too easy a screen behind which dealings can be hidden.

Senator D'AMATO. Let me ask you, Mr. Mayer, if you were to make a number of recommendations as it relates to dealing more effectively with money laundering, if the Treasury were to call upon you for your expertise in these areas, what recommendations would you make not only as it relates to Panama, but in general.

Are there any areas in which we could improve the law enforcement efforts in attempting to deal and attempting to prevent money laundering on the scale that it takes place now?

Mr. MAYER. Well, the business I am in is a Brandeis business. I believe that sunshine is the best disinfectant. I believe in reporting requirements. I believe——

Senator D'AMATO. Now, we have—and I take some pride, as Senator Kerry has indicated, being on the Banking Committee, and I want you to know it was not easy in getting the requirements as it relates to reporting and the penalty provisions for money laundering increased significantly so that now a financial institution that violates the law willfully, as it relates, or its employees as it relates to failure to report a transaction of $10,000 or more, stands liable not only for a fine but for the total amount of that transaction. That is substantially greater than what had been the penalties heretofore. So, we have attempted to stiffen that.

But are there other areas in which we can improve this?

Mr. MAYER. In terms of foreign banks that maintain operations in the United States, I should think we could make it a requirement of their charter to do business in the United States to have access to the clearinghouse computer, to have access to the American payment system that on—once again, one does not wish to do this thing promiscuously, but on submission of satisfactory evidence that money laundering is occurring, that the money that is moving is the proceeds of activity that would be criminal in the native country of the country that has a branch here, that these books shall be opened to investigators for them to be able to track the money.

But I think you must be that stiff about it. You must say that you will not be permitted to have a branch operation in the United States, you will not be permitted to move money through the CHIPS computer unless you make this information available.

Senator D'AMATO. Why do the banks need access to the clearinghouse system?

Supposing you were to say, all right, you have X bank, you have refused to agree to this. Therefore we are going to deny you access to the clearinghouse. Would that incapacitate them?

Mr. MAYER. Oh, yes.

Senator D'AMATO. So, it is an essential element.

Mr. MAYER. It is an essential element.

The reason I sort of paused when you first asked the question is that there exists a communications system, the Society for Worldwide Interbank Financial Telecommunications—I think that is right, SWIFT—which is based in Belgium which in theory could be turned into a payment system through the use of correspondent banks, but the efforts to approach that have failed so far. I think they would continue to fail. And you simply cannot finance your country's world trade at this point in the game unless the payments flow through this central international computer which is in the basement of a building on Broad Street which is the Clearinghouse Interbank Payment System Computer, which is a subsidiary of the New York clearinghouse.

Senator D'AMATO. In regards to that, let me depart for a moment, in the absence of the chairman, and take this opportunity to touch on a subject that I touched on late yesterday afternoon, and that is in regard to the attempts of Delvalle, or excuse me, of Mr. Noriega, General Noriega, to literally loot the banks of some $170 million plus of deposits that are now deposited in American institutions. He has put forth an order which would require the Bank of Panama to call in all of these dollars, all of these deposits, and once he had access, the Bank of Panama had access to these moneys, he would literally be able to transfer this into cash.

It is estimated, and we may have trouble stopping him from getting the initial $20 million which the Bank of Panama has on its hands at the present time, but it would be able to draw on the depositories representing the accounts of some 800,000 Panamanians, and it is estimated that there is at least $170 million.

Now, there has been a question because President Delvalle has indicated that he would oppose new economic sanctions such as cutting off trade with the Panamanian people, et cetera, that would increase the level of their sacrifice, but he says in a letter which I have just received today, and I share with the committee, and I will have copies made, dated April 4, he said I am emphatically of the view, however, that the financial squeeze should continue and should be enhanced through further measures. My Government will continue to take every action available to it in Panama and abroad to deny resources to the illegal Noriega regime. I believe that the United States should and will continue to cooperate with this financial effort in this regard. I specifically urge the United States to take every step possible to ensure that assets of the Panamanian banks which are held in the United States not fall into the hands of Noriega. I also urge that cash or cash equivalent items be prevented from transfer out of the United States to Panama for possible use by Noriega's regime, and I urge that steps be taken to ensure that no cash or cash equivalent items be paid to the Noriega regime by the United States companies. These steps would include a ban on the conduct of business by United States banks in Panama and a prohibition of tax payments or other transfers by the United States companies to the Noriega regime.

And this is signed Eric Arturo Delvalle, President, the Republic of Panama, by Juan Sosa, his Ambassador, legal representative, President Delvalle, in the United States.

The fact is if the administration and the President in particular fails to invoke the provisions of the IEEPA, that is, the International Emergency Economic Powers Act, that there will be, there will take place a transfer of $170 million plus to the Bank of Panama.

Now, that sets up some very extraordinary possibilities, and indeed, the American dollar may no longer be official tender of Panama, but he would use the $170 million plus to back a new currency which they are in the process of attempting to print and to establish. They have said they needed about 6 weeks. They have already been about 3 weeks into this with the help of the Cubans.

Point No. 2, I have requested for Senator Kerry and myself a briefing by the State Department. I spoke to Assistant Secretary Elliott Abrams as it relates to reports of a brigade of up to 1,200 men having flown into Panama. We have no independent knowledge of this. State Department is looking into this, and I have asked that we get a briefing in relationship to this.

Let me proceed, if I might, with some questions.

Is a Panamanian economy that depends on the banking industry a healthy economy? Should there be more diversity? Is this, if we were to, for example, insist upon the kind of disclosure that would make it more difficult for the money-laundering operations to continue as they have in the past in Panama, what would happen to those banks? Would they continue to operate? Is there legitimate business there?

For years I heard of Panama as being one of the emerging, growing areas of commerce and of trade.

Is this a fiction, or was it simply, did it come about as a result of the money laundering?

Mr. MAYER. I think primarily it came about as the result of money laundering, but that does not mean that there are not functions there. You and I come from a State which is not well placed to say that the financial services industry is not a good source of economic strength.

The problem in a place like Panama is that it becomes very corrupting to the entire society when the reason why a business is there is that it is good for crooks, and there is, I think, a tradeoff.

Now, when we started the international banking facilities in this country, the IBF, the offshore banks, we destroyed quite a lot of the legitimate use of offshore banks. The growth of the Central American economies, were it to occur, the fact that there is expertise in Panama, if you look at the European situation, there is more banking business done in London than there is in the whole rest of the Common Market put together, and the reason for that is that London has developed an expertise and a position.

It is not impossible that Venezuela and Colombia and the Central American republics would find continuing use for honest Panamanian banking operations. I think that there would be a reduction in size, but it might be better for Panama over time. This stuff does explode on you after a while.

Nevertheless, I think that one must face up to the fact that as part of our attempt to stop the movement of cocaine money, there may be some loss of Panamanian jobs, and we should perhaps undertake efforts through our AID organizations to ease the pain of that when it occurs.

Certainly Panama would be better off with a smaller, more honest banking system and with the people employed there doing other work.

Senator D'AMATO. Let me ask you what difficulty if any would, for example, the loss of the Panamanian banking institutions as a having for money laundering, which it would appear certainly at the very least it has been disrupted since the banks have been closed, for the international drug cartels to turn to other areas? How would they do that? What about the ease of doing that? And are you aware of any areas that they may have indeed turned to since the money laundering through the Panamanian banks at the present time has been closed or stopped?

Mr. MAYER. Well, one comes back to Luxembourg pretty quickly in some of these.

Senator D'AMATO. Luxembourg.

Mr. MAYER. Yes.

I do not have personal knowledge of where drug people go to put their money. I think that you have got to lance this boil in New York where the dollars move. You have got to lance it at Fedwire and at CHIPS, and you have got to have the Federal Reserve System on board, and then you can control it everywhere.

Simply getting it in Panama, you know, it is the old pie plate. You will push in the bump, it will come up somewhere else. But since right now so much of the machinery is dedicated to the using of Panama, I suspect that there has been some disruption and some problems in getting the stuff around which they are in process of solving. Now it would be good to keep them off balance, and it would also be good to try to see to it that when this thing in Panama ends, however it ends, they cannot go back to business as usual with the movement of cocaine money.

Senator D'AMATO. Mr. Mayer, do you believe you would be in a position to offer a series of recommendations to the regulators as it relates to dealing specifically with this issue so that they might be able to make the kinds of changes that would impede if not make certainly more difficult money laundering per se?

Mr. MAYER. I think we want reports on $10,000 or more in cash from everybody, and I think we can enforce it. Anybody who wants to do business in the United States and have access to the American clearinghouses and to the Federal Reserve, anybody who wants to have a chartered operation in New York, anyone who wants to do business with a U.S. correspondent bank should be required to file such papers. You would have a terrific uproar politically for a while, but my hunch is that others are now getting disturbed by this traffic also, and that it would not be quite the uproar it would have been 10 or 15 years ago.

I think a greater transparency in both the banking industry and the securities business is going to be required if we are talking about a more international business, and this is as good an issue to begin with as any.

Senator D'AMATO. You are suggesting because those doing business with U.S. banks, with our banks, are required to make those reports.

Mr. MAYER. They could be required under the Bank Secrecy Act of 1970. The fact is that the regulators have not required it. Everybody who has a charter for a branch operation in New York could be held to that by the Secretary of the Treasury under the Bank Secrecy Act of 1970, and I think it would be worth doing, and it would be worth taking whatever diplomatic flak there is. I think we would have many more treaties. I do not think that you can conduct this business from the Isle of Jersey, finally. I think that you are going to have to be in some place which has a real government, and that it should be possible to greatly increase the transparency of money flows in the banking system without any loss to the efficiency of the operation of the banking system.

Senator D'AMATO. Well, let's take a look at what would take place if we were to undertake that.

Would there not be the cry—and I am not suggesting that we should not; I think we should—but that business then will move, legitimate businesses as well to other areas, and you would then have the concern that it would move to Hong Kong, to Japan, to London, and I do not know what other major money center areas there are. There may be several others. But it would seem to me that were we to get a cooperative agreement with those other major world money centers and implement this throughout, that would really be the answer.

Mr. MAYER. I think you have got to lean on them to have it happen. I do not think Japan is a problem. If you are in the banking business in Japan, you raise your hand to go to the bathroom. The government can handle that.

Senator D'AMATO. So, Japan would not be a problem.

Mr. MAYER. No. Hong Kong over time is not a problem simply because Hong Kong is not going to survive as a really major financial center once the Communists take over.

Singapore conceivably, but it is pretty inconvenient, and it is small potatoes.

London in a funny way is the worst problem. But the Bank of England has become much more sympathetic. Under the Securities and Investments Act, the British agreed to report on Eurobond transactions, to print the transactions. That was part of the legislation. That part of the legislation has now been suspended because the Secretary of State, for whatever it was, in the Department of Trade and Industry, decided that London might lose business. Actually, our people, First Boston, bullied the British out of it, Jack Hennessy there.The Bank of England historically has taken the position that they do not care what people do in currencies other than the pound so long as they do not frighten the horses, and I had thought there was a change in that, and I think that there is an emerging change, but we would have to require the Bank of England to cooperate in supervising foreign banks in London in order to make this thing go.

The Bank of England has become sufficiently upset about the instability of the international banking system, about all the contingent liabilities on people's books, about the Mickey Mouse capital, about all of the things that have been going on in the 1980's that they are much more sympathetic now to regulation, and while they do not, I think, understand the dimensions of the drug problem as well in London as they will in a few years, this is probably a pretty good time since there are so many cooperative ventures going on, perhaps under the aegis of the Bank for International Settlements in Basil and the survivors of the Cook Committee, something could be worked out.

What we are talking about is to a large extent a prophylactic matter here in that once the requirements are there and once people are afraid not to report, you are not talking about a huge bureaucracy to enforce it. You are talking about something that is generally understood, that if you are going to have an international financial structure of the kind that all these guys think we are going to have—I am not quite so certain as some of them are—then you are going to have to have much greater access to information about how the money is flowing and where than we have had up to now.

Senator D'AMATO. Let me give you a hypothetical.

Could someone, for example, with the drug moneys go to a foreign bank today and let's say convert that cash into a Eurobond and have that on deposit in another country, for example, Switzerland, et cetera?

Mr. MAYER. Absolutely, absolutely, do whatever.

Senator D'AMATO. And there is no reporting of that whatsoever.

Mr. MAYER. No. There is nothing done in the Eurobond market, and the effort to do that as of this month that was going to start has now collapsed. This is still a market that leaves no fingerprints.

Senator D'AMATO. So, a sophisticated money-laundering operation could very easily be pouring billions of dollars into not just the traditional shipment or wiring of dollars from one institution to another, but could be converting those dollars into Eurodollars, Eurobonds, into any variety of various currencies with literally no reporting requirements to date.

Mr. MAYER. That is right, but once again, these are dollars. They pass through New York in the clearinghouse, even though the bonds are purchased in London. It is still possible—London tried to have a dollar clearing, and it failed back in the seventies. You cannot do a dollar clearing operation—you can do a bond clearing operation. Morgan Guaranty clears two-thirds of all the Eurobond trades through an operation in Brussels. The operation is in Brussels because Britain has a stamp tax on the transfer of securities. You know, you talk about what drives business out. They employ more than 500 people in Brussels clearing Eurobond transactions, and the volume is in the many billions every night.

But the money to pay for that comes through CHIPS in New York, and it would be very difficult for them to find an alternative for it.

You know, when a company goes into chapter 11 in this country and it has a Eurobond issue, it is common experience that a certain fraction of those Eurobonds, and sometimes a fairly large one, does not turn up to claim its share of the proceeds simply because the guys who own those Eurobonds, which are bearer bonds, do not want to be seen coming into court.

This market wants policing also. It is by no means only the banks.

But the hook that you have got, the lever, is through the movement of funds through the Clearinghouse Interbank Payment System and Fedwire in New York, and that is under the control of the Federal Reserve System.

Senator D'AMATO. Well, your main point, I take it, Mr. Mayer, is that all dollars come home to the United States eventually, and we can regulate those dollars if we really have the political will to deal with some of the problems.Some of the problems will be the cry from some of our investment banking houses and others that we may lose business.

Is that it?

Mr. MAYER. To which the answer essentially is we do not want this business, it comes at too high a price. And also, if this is the reason——

Senator D'AMATO. What you are saying is legitimate business is really not going to move because of these requirements.

Mr. MAYER. I do not think so. I do not think it is. I really do not think it is.

I think there will be noises made, but no, it is not going to move. And if it does move, you know, they can run but they cannot hide. Even Hong Kong you cannot hide. It is possible to lean on the chartering authorities elsewhere. We are not necessarily alone in this. We have this feeling that we are, but we are not necessarily alone.

I think that you could convince the British that this is a real problem and that they are going to have it, too.

Senator D'AMATO. Let me just ask you, if I might, because I believe that in this area we can make our greatest impact. You can arrest all the street corner dealers and all of the pilots who fly the drugs in, and there is always going to be someone willing and ready and almost anxious to take their place, that this is an area that we have too long neglected, and our efforts should be undertaken, and that is the test, by the way. If we are going to fight the drug war and this terrorist network that is fed in some part, in a substantial degree, at times, from the huge profits that come that give them the ability to buy arms and people and put organizations together, why, we may have to ruffle some feathers, those of the banking industries, et cetera here at home, and some of our allies, and that is the way to find out if someone is an ally, whether they are going to join in these endeavors.

You mentioned Luxembourg. Could you touch on that for a while? Why do you suspect that that may be?

Mr. **MAYER**. That is a very strong bank secrecy laws. There again, you have a situation where the financial services industry has an unusually large fraction of employment. It is not Panama by any means. You do not have local corruption. You have had some very serious scandals there which have also alerted people to the dangers. I mean, the Banco Ambrosiano scandal, the Vatican Bank business, all of these things essentially filtered through Luxembourg. Vatican Bank, of course, also was Panamanian operation. That was the black hole down which some hundreds of millions of the Pope's money disappeared.

And there it is a matter, I suspect, of getting together with our Common Market allies and friends, and once again, the Bank for International Settlements, and changing the house rules a little. We changed the house rules in Luxembourg after the Ambrosiano fiasco, and the question of who stands responsible for their branches in Luxembourg, while not entirely been cleared up, is much more cleared up.

Under these circumstances, I think for these guys to try to do more than temporarily moving the business under the shield of bank secrecy laws in Luxembourg, probably would not work because those laws could be got to change. But one would have to monitor it. And of course, one has to monitor the crazy places like Lichtenstein also, but this is doable.

It would require taking it seriously. It is extremely difficult to get banking regulators to take something like this seriously.

Senator D'**AMATO**. Let's undertake one other thing. If we are able to begin to isolate the number of financial institutions or clearinghouses that would handle this kind of drug money, it is rather not too difficult then to cut them off from legitimate business as well, is it not?

Mr. **MAYER**. I think so. I think that a great deal can be done if you are determined enough to do it and if you are prepared to pay some temporary price for doing it.

Senator D'**AMATO**. Well, Mr. Mayer, I am going to thank you on behalf of the committee for your testimony today. I am wondering if you have any other thoughts before you conclude that you might want to leave us with.

Mr. **MAYER**. You know, I do not know anything about drugs, really. I know something about banks, and you are—this is a tiny piece of your problem, but it just seems to me that it is an extremely important piece because if you can disrupt the money flows, you can disrupt this operation at least as easily as you can by disrupting some of the flow of the narcotics themselves.

Senator D'**AMATO**. Well, I would look forward hopefully to having our staff on the Banking Committee meet with you and work with you to develop——

Mr. **MAYER**. Old friends of mine, sure.

Senator D'**AMATO** [continuing]. Some of these suggestions that we would hopefully be able to get the regulators and Treasury to consider to begin to implement. I do not even think it is legislation.

Mr. **Mayer**. No.

Senator D'**Amato**. In many cases, as you have indicated, it is by way of the regulator, and I want to commend Senator Kerry for bringing you in today to shed some additional light on how we can better handle this problem.

Senator **Kerry** [presiding]. Thank you.

Mr. Mayer, I apologize for having to depart momentarily. I just had a long conversation with one of our good U.S. attorneys here, and hopefully we are progressing forward on some other matters. But I do want to thank you very much for taking the time to come in. I understand that your testimony that I did not hear was extremely helpful and very thorough.

Thank you very much, sir.

Mr. **Mayer**. Thank you.

Senator **Kerry**. We are going to take a 5-minute recess while we prepare for the testimony of Mr. Vogel.

We stand in recess for 5 minutes.

[A brief recess was taken.]

Senator **Kerry**. The hearing will come to order.

Mr. Vogel, I would ask you please if you would stand.

Would you raise your right hand, please?

Do you promise to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. **Vogel**. I do.

Senator **Kerry**. Identify yourself for the record, please.

STATEMENT OF MICHAEL PAUL VOGEL, FEDERAL PRISONER; ACCOMPANIED BY ALAN CHASET, ESQ., COUNSEL

Mr. **Vogel**. Michael Paul Vogel.

Senator **Kerry**. And would you just for the record identify who the gentleman is sitting to your right?

Mr. **Vogel**. Alan Chaiset.

Senator **Kerry**. And he is counsel representing you?

Mr. **Vogel**. Correct.

Senator **Kerry**. Would you state your date of birth, please?

Mr. **Vogel**. August 6, 1950.

Senator **Kerry**. Your Social Security number?

Mr. **Vogel**. 363-49-5112.

Senator **Kerry**. Are you presently incarcerated as a Federal prisoner?

Mr. **Vogel**. Yes, I am.

Senator **Kerry**. What crime are you incarcerated for?

Mr. **Vogel**. For continuing criminal enterprise.

Senator **Kerry**. You were convicted when?

Mr. **Vogel**. March 21, 1987. I was sentenced in 1987. I pleaded guilty in December 1986.

Senator **Kerry**. The length of your sentence?

Mr. **Vogel**. Twelve and one-half years.

Senator **Kerry**. Was that sentence in fact originally a longer sentence?

Mr. **Vogel**. Yes, it was 25 years.

Senator **Kerry**. Twenty-five years. Your sentence was reduced then to 12½ years; is that accurate?

Mr. **Vogel**. Correct.

Senator **Kerry**. Now, just for us lay people who do not figure out quickly the math, you are how old today?

Mr. **Vogel**. Thirty-seven.

Senator **Kerry**. Now, Mr. Vogel, as I mentioned to you privately before you came out here, I want to state it publicly, this committee is interested only in getting at the truth. You are currently incarcerated. You have sworn to tell the truth. You have been deposed by this committee. We have had a chance to evaluate your testimony, but in testifying today, I want to remind you of the importance of your telling us exactly what you know, with no embellishments. If you do not know, I want you to tell me that. But we certainly want to caution you that this committee, if it learns that you have not told us the truth, will, because you have sworn an oath, proceed to apply the pains and penalties of perjury, as is our right, and you understand that before we begin.

Mr. **Vogel**. Yes, I do, sir.

Senator **Kerry**. You do understand.

Mr. **Vogel**. Yes, I do.

Senator **Kerry**. Now, when did you first get involved in the drug trafficking business?

Mr. **Vogel**. I got involved in the sales of marijuana in the early 1970's.

Senator **Kerry**. What were you doing at that time?

Mr. **Vogel**. I was a college student at the University of Miami.

Senator **Kerry**. Did you graduate from the University of Miami?

Mr. **Vogel**. No, I did not.

Senator **Kerry**. Did you go to any other institution?

Mr. **Vogel**. Prior to that I attended the University of Detroit.

Senator **Kerry**. Where were you brought up?

Mr. **Vogel**. In Detroit.

Senator **Kerry**. Is that where you were born?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. Did you go to high school there?

Mr. **Vogel**. Yes, I did.

Senator **Kerry**. What high school did you go to?

Mr. **Vogel**. Catholic Central High School.

Senator **Kerry**. Did you graduate from Catholic Central?

Mr. **Vogel**. Yes, I did, sir.

Senator **Kerry**. Then how did you happen to go to Florida? Did you go to Florida for education or for something else?

Mr. **Vogel**. For education.

Senator **Kerry**. Now, tell us how you first began to get involved in the marijuana business.

Mr. **Vogel**. While I was down at the University of Miami I still maintained contact with friends in the Detroit-Ann Arbor area, friends that I went to high school with, and this was a period of the Vietnam era period, marijuana being fairly accepted. Ann Arbor had passed a $5 fine for possession of marijuana. And these friends asked me if I knew anybody in Florida that could get them some marijuana. And I talked to people, and I said sure, and I put some friends together, and I made a couple thousand dollars.

Senator **Kerry**. So, you came into it casually and then recognized you could make some money?

Mr. **Vogel**. Correct.

Senator **Kerry**. That enticed you to continue?

Mr. **Vogel**. Correct.

Senator **Kerry**. Did the business become fairly high volume?

Mr. **Vogel**. After a while I had met, eventually met Leigh Rich through a girl I was dating, whose sister was dating Leigh Rich.

Senator **Kerry**. Leigh Rich, is that the same Leigh Rich who has testified here before the committee?

Mr. **Vogel**. Yes. And Leigh at that time was involved in procurement of large amounts of marijuana in the Tampa area, and Leigh was able to give me carloads of marijuana.

Senator **Kerry**. Give you what?

Mr. **Vogel**. Carloads, trunkloads, 300, 400 pounds. And that was moved up to Detroit and sold.

From that, Leigh was dealing with an individual by the name of Jerry Carroll. I had met an individual through Leigh Rich and this person was involved in smuggling. He approached me to work with him and sell his product in the Detroit area, and I agreed and I did.

Senator **Kerry**. Who is this person?

Mr. **Vogel**. This person was Jerry Carroll, who was indicted in Detroit. He's a fugitive right now.

Senator **Kerry**. What year was this?

Mr. **Vogel**. This was 1974, 1975.

Jerry would give us, myself and a couple of other individuals, the marijuana at $300, $310 a pound. We would sell it for $350. It wasn't a very profitable thing, but it was volume and we made money. It was acceptable to us.

As I said before, Senator, you have to remember that during that time marijuana was a fairly accepted drug. It was accepted throughout my peer group. It was looked upon as during the Prohibition era, when alcohol was actually illegal, but it was used.

And I didn't have any moral problems with it.

Senator **Kerry**. Now, can you explain the next step that led you to become a larger dealer?

Mr. **Vogel**. In conjunction with Leigh Rich—Leigh had asked me to invest in a sailboat load and I did. And that was unsuccessful, as a matter of fact. It was successfully imported into the United States, but the truckload of marijuana was seized in Georgia.

And so it was back to the drawing boards, and I got my almost taste of making my first million dollars.

Senator **Kerry**. When was this?

Mr. **Vogel**. This was in 1976, I believe, 1977.

Senator **Kerry**. How old were you?

Mr. **Vogel**. At that time I was 26 years old.

And so Leigh had asked me to invest again and, as I said, I was involved with Jerry Carroll at the time also, selling his planeloads of marijuana. I believe it was 1977 Jerry Carroll, in conjunction with a group of pilots, brought in—used a DC-6 and brought a load of marijuana into Tennessee and asked me if I could sell it.

And I said sure, and lo and behold, I sold the whole thing. And I made a good amount of money, and it was off and running then.

Senator **Kerry**. Did you at some point begin to become involved with airplanes and trafficking?

Mr. VOGEL. Yes. At this time, that was a DC-6 load. It was through Jerry Carroll's organization that I became involved with airplane trafficking.

Senator KERRY. Where was that based?

Mr. VOGEL. His operation was based out of Detroit. His planes were based out of Indiana. He was using Navajo Chieftains and, as I said, the DC-6. The DC-6, I don't know where that was hangared at, but the Chieftains were all hangared out of Indiana.

Senator KERRY. Now, your principal role at this point in time was as a salesperson, a distributor; is that correct?

Mr. VOGEL. Correct, and getting personnel to help Jerry unload his planes.

Senator KERRY. Can you describe the unloading process? Where and how would that take place?

Mr. VOGEL. When an airplane would arrive, specifically a small airplane, usually two drivers with trucks and a couple individuals to actually unload the marijuana and someone to actually fuel the airplane.

So you had six, maybe seven people involved in the actual unloading. And you also had two or three lookouts, obviously looking for law enforcement.

On a DC-6 it's a much larger operation. You have to get involved with—the load that Carroll brought in, I believe one was 28,000, another was 32,000 pounds, which is a fair amount of packages.

Senator KERRY. Whose airplane was the DC-6?

Mr. VOGEL. That was Jerry Carroll's. He had purchased it. At that time Palmer, Michael Palmer, Carroll, were in the air end of the business and I was in the sales end.

Senator KERRY. When did you first meet Michael Palmer?

Mr. VOGEL. In conjunction with Jerry Carroll.

Senator KERRY. Do you remember the year?

Mr. VOGEL. It would have been 1976-77.

Senator KERRY. Where did you meet him?

Mr. VOGEL. My first actual meeting with him was in a house in Michigan that Jerry Carroll had.

Senator KERRY. What was he doing at the time?

Mr. VOGEL. He was flying for Jerry Carroll. And then, as it was explained to me by Jerry Carroll, his job was to coordinate the pilots and airplanes.

Senator KERRY. Who introduced you?

Mr. VOGEL. Jerry Carroll did.

Senator KERRY. How many pilots worked for Palmer at that point in time?

Mr. VOGEL. For the Carroll organization, there was Kenny, Roger—I believe they had five or six pilots. Most of them were from the old defunct Macke Airlines.

Senator KERRY. Did you know anything about Michael Palmer at that point in time?

Mr. VOGEL. No, I didn't, except that he was a pilot.

Senator KERRY. Did you know that Palmer was also a Delta Airlines flight engineer?

Mr. VOGEL. I found that out later on, yes, sir.

Senator KERRY. So, you do know that he was in fact a Delta Airlines flight engineer?

Mr. VOGEL. Yes.

Senator KERRY. Is it correct that Palmer handled the pilots, you handled the distribution, and Carroll handled the coordination?

Mr. VOGEL. Correct.

Senator KERRY. How many loads did you handle under this arrangement?

Mr. VOGEL. Prior to it becoming a solidified, my position being solidified, there was 15 to 20 loads of the smaller planes.

After I was officially brought in where I was the chief distributor for that organization, Jerry Carroll decided to give everybody in the organization medals, gold pendants with diamond chips, for every load that was brought in. And I at that time, I had one completely filled and it was starting on another.

Senator KERRY. You had one medal completely filled?

Mr. VOGEL. Yes. The medal was rectangular and it was about an inch long and there were diamond chip.

Senator KERRY. You get a diamond chip for each load you ran?

Mr. VOGEL. Yes, sir.

Senator KERRY. Were there different size chips given according to different size loads?

Mr. VOGEL. Yes. There were large diamonds given for DC-6 loads.

Senator KERRY. What would you do with this medallion? Would you actually wear it?

Mr. VOGEL. Wear it around your neck. It was decorative. It was very nice looking, very nice looking.

Senator KERRY. And how many diamonds had you collected in your medallion?

Mr. VOGEL. In mine, I had about 26 at that time. I lost mine body surfing down in Cablo San Lucas when I was down fishing with Jerry. I really didn't have a desire to hold on or keep it and identify myself with the group.

Senator KERRY. Did any other people have larger number of diamonds in their medallions?

Mr. VOGEL. The last time I saw Jerry Carroll, he had three completely full with the small diamond chips.

Senator KERRY. Was Palmer involved in most of these flights as coordinator?

Mr. VOGEL. Yes, sir.

Senator KERRY. And did Palmer ever smuggle drugs himself?

Mr. VOGEL. Yes, he did, sir.

Senator KERRY. Acting as the pilot of the aircraft?

Mr. VOGEL. Yes, he did, sir.

Senator KERRY. How many years did you know Michael Palmer to be smuggling drugs?

Mr. VOGEL. My association with that group, being involved in the upper echelon, it would have been 1975-76 through 1985.

Senator KERRY. So, you had about a 14-year career yourself as a smuggler?

Mr. VOGEL. Correct.

Senator KERRY. During which time with Michael Palmer you were associated for almost 10 years?

Mr. VOGEL. Yes, sir.

Senator KERRY. Do you know where the planes were secured for smuggling drugs with Michael Palmer?

Mr. VOGEL. Yes. The planes—the Carroll organization split up in 1980. At least I split from them. Palmer and Carroll went on to continue.

I know of one incident that happened in Tennessee. The plane never arrived, but there were multiarrests. The case was dropped because of lack of evidence. After that the whole organization split up. At least I know that Michael split from them.

And Michael came to me and wanted me to work with him. His planes at that time—his early planes, I don't know where they were hangared at. Later they were hangared at Hillsdale Airport in Michigan, the smaller planes.

Senator KERRY. About how much volume were you guys dealing with in this period of time?

Mr. VOGEL. Small planes averaged 1,600, 1,700 pounds per load. A large plane, the Jerry Carroll one that came to Tennessee, 28,000 to 32,000. Our DC–6's grossed a gross weight of 14,000 and 15,000.

Senator KERRY. Pounds?

Mr. VOGEL. Pounds, yes, sir.

Senator KERRY. And how much would that translate to on the street? What was the value of one of those loads?

Mr. VOGEL. On the street, from my wholesale end a 30,000-pound load was equal to $9 million.

Senator KERRY. So, you were running—how many total loads do you think you ran?

Mr. VOGEL. I would say Carroll was involved with probably, accurately, 45 to 50 loads. With Palmer I was involved in between 44 and 48 loads of small and 2 DC–6's. There were three DC–6's with the Carroll load.

Senator KERRY. You are familiar with the smuggling world over the course of 14 years. How does that operation size up against other marijuana operations?

Mr. VOGEL. I would say that the Palmer—myself, Palmer, and Carroll were probably the most proficient that I have known about, the most exacting, the most professional.

Senator KERRY. Sizable also? Were you significant in terms of the size of loads?

Mr. VOGEL. As far as airplanes, yes, sir. I have heard of other people doing greater volume, but they were using constant DC–6 loads. Speaking of smaller airplanes, which are relatively safe—as a matter of fact, there was a point that they were untouchable by interdiction, and considering that there's only five or six, eight people involved in the actual unloading in the organization itself, there's not a large chance of being infiltrated by any law enforcement. So, they were fairly safe.

Senator KERRY. We're going to talk about some of the interdiction efforts that you made later on, but I want to continue down this road a little bit.

Was Michael Palmer a major factor in U.S. marijuana import?

Mr. VOGEL. Yes, he was.

Senator KERRY. Now, Palmer handled smuggling only by aircraft; is that accurate?

Mr. VOGEL. Yes, sir.

Senator Kerry. Did you ever smuggle by boat?

Mr. Vogel. Yes, I did, sir.

Senator Kerry. With whom did you smuggle by boat?

Mr. Vogel. Well, Leigh Rich was in the seventies. Leigh Rich and I again in the seventies, with an individual by the name of Paul Jakura, we brought a couple of shrimpers into Bayman at Alabama.

Then Leigh Rich and I and Steven Kalish, we brought two shrimpers—one was interdicted, the other was successful—into Moorehead City, NC. Then I was involved up until the very last day in the planning and importation of a barge that we brought in called *Bulldog.*

I walked away from it the day before.

Senator Kerry. Why did you walk away from it?

Mr. Vogel. I was given information by Michael Palmer that Customs was onto it and that it would be captured and or there would be arrests stemming from it. That and I was tired of the business. I had been involved for 10 years. I was trying to settle down. It was too large of a thing for me.

Senator Kerry. I'm going to come back to that a little bit later. Was the smuggling of drugs using shrimp boats a relatively common thing?

Mr. Vogel. Yes, it was, sir.

Senator Kerry. And were there other groups also doing that that you were aware of?

Mr. Vogel. Yes. Smuggling in the seventies was wide open as far as marijuana was concerned. It was coming in the west coast of Florida, it was coming in the east coast of Florida. It was coming up into all the gulf States. And shrimpers you could use up into the Carolinas. People that were up farther on the east coast used different types of fishing boats to fit in with the type of fishing that was done in those areas.

There were large amounts of marijuana being smuggled.

Senator Kerry. Where did the shrimp boats pick up the marijuana?

Mr. Vogel. Colombia.

Senator Kerry. They went all the way to Colombia?

Mr. Vogel. Yes, they did.

Senator Kerry. Did you have to put refrigeration units on those shrimp boats?

Mr. Vogel. We did in the seventies. I had read articles where the United States was using satellites and overflights using infrared, looking for hot spots on the vessels. Marijuana, being a vegetation, with the breakdown creates heat. Shrimp are cold and they're usually iced down.

Well, you can't use ice in marijuana because the water would affect the cargo itself. So, we decided to go ahead and put in refrigeration units. And as a matter of fact, when we unloaded the marijuana it was frozen.

Senator Kerry. And did you have occasion to work with a man named Steven Kalish?

Mr. Vogel. Yes, I did.

Senator Kerry. Who was he?

Mr. VOGEL. Steve Kalish, at the time that I had met him his name was Skip, no more, no less. I got him some identification under the name of Frank Brown. I found later that Steve was Steven Kalish and he was a fugitive from the State of Texas.

Steven, he came in as a junior partner and eventually took over the organization.

Senator KERRY. So, you worked with Steven Kalish?

Mr. VOGEL. Yes, I did.

Senator KERRY. That is the same Steven Kalish who has testified here about involvement in drug smuggling?

Mr. VOGEL. Correct, sir.

Senator KERRY. Now, when Kalish was captured did you go back to work with Palmer?

Mr. VOGEL. Yes, I did, sir.

Senator KERRY. I wonder if you would describe for us a little bit about how your smuggling organization avoided detection by Federal agencies.

Mr. VOGEL. In the early going, in the northern States it wasn't a great, great problem to try to avoid detection. With the boats, we used a format of surveillance and countersurveillance.

Senator KERRY. You set up your own countersurveillance system?

Mr. VOGEL. Yes, sir. Yes, sir.

Senator KERRY. Do you want to describe that?

Mr. VOGEL. We used scanning systems. We used oscilloscopes to actually figure out the frequencies that DEA or local law enforcement or FBI was broadcasting on, and we would scan. We would chart out their positions, their patrol routines for the local police.

Senator KERRY. Did you get any intelligence as to their frequencies or their patrol areas?

Mr. VOGEL. Early on, the intelligence that we obtained came specifically from our own efforts. Later, we were able to get Coast Guard frequencies from people in the Coast Guard through a friend that I had that had people in the Coast Guard.

George Shearer, who did a lot of radio work for us, was able to obtain a lot of frequencies from a Motorola repairman. As a matter of fact, we had Air Force One's frequency at one time.

Palmer provided additional frequencies for us that he had told me at the time that he had gotten from a Customs guy that we were paying off.

And Senator, people in this business get to know each other and get to trust each other, and there's a lot of secrets traded back and forth. If there's any change in frequencies, if there's any large interdiction efforts going on, if someone is aware of it and they know that I'm going to work or someone else is going to work, you give them a call and you tell them: "Hey listen, this is what's going on."

Senator KERRY. Did you have an electronics expert who was working with you?

Mr. VOGEL. Yes, I did, sir.

Senator KERRY. What was his name?

Mr. VOGEL. His name was David Heller.

Senator KERRY. And did he build a lot of special equipment for you?

Mr. VOGEL. Sir, he originally worked for the Danny Patrick organization, which was an organization out of Detroit.

Senator KERRY. Drug smuggling?

Mr. VOGEL. Yes, sir, marijuana smuggling.

And he was a fairly large guy. I heard about him just through people telling me about it. I never met Danny Patrick and he's deceased now. Danny was a very large and very successful smuggler.

He started a business called Countermeasures, and Countermeasures, they produced countersurveillance, things if your phone was tapped, those type of electronics. The originator and creator of this was a guy by the name of David Heller.

David later—he had worked for Danny. I don't know his specific role, but I knew that he was an electronics guy and I used him to sweep my phones and the rest. And then later on I had David build some equipment for me that I could use and explain radio operations.

Senator KERRY. Is this as far back as the seventies?

Mr. VOGEL. Yes, sir.

Senator KERRY. So, in the seventies you guys had already moved into this kind of sophisticated counterinterdiction effort; is that accurate?

Mr. VOGEL. Correct.

Senator KERRY. And did that facilitate the process by which you were able to run drugs?

Mr. VOGEL. Oh, yes, sir.

Senator KERRY. You knew pretty much what was going on on the other side?

Mr. VOGEL. It was my policy, sir, that we would not import into an area unless we had it totally secured. I believed you could lose the load, but you couldn't lose the people. Obviously, arrests brought people that would tell about it and get other people into trouble.

And it was cheaper to go ahead and lose the load. And it was my belief that we would secure the area through the intelligence that we could gather. We would be able to pinpoint Coast Guard, DEA, local law enforcement. We would arrange avenues of escape for our personnel.

We always had—on the water, we always had some type of vessel to remove our crews. We had escape routes. We surveilled areas.

We had people looking at high schools, places where law enforcement might assemble on us. With all of this, we felt fairly safe, fairly secure. As a matter of fact, it always worked.

Senator KERRY. So, it's fair to say that, with your countermeasures, with your electronic surveillance, with your own spotter—you actually flew spotter aircraft; didn't you?

Mr. VOGEL. Yes, sir.

Senator KERRY. Do you want to describe that?

Mr. VOGEL. We would put a plane up in the air and we would know where our boat was. We used a sophisticated signaling on radios to pinpoint our boats. We either used conversations dealing with fishing or used a beep system. It later became we just used a tone system.

But we were able to formulate where our vehicles were. We would send the planes out of either Florida or New Orleans or

Little Rock, AR. They would fly the gulf in the route the boat was coming.

They would fly grid patterns over the Yucatan so we could find where the Coast Guard boat was, what it was doing. If they had interdicted anybody else, they were busy and we would come through the other side.

Senator KERRY. So, it's fair to say that you came to operate with a fair sense of impunity?

Mr. VOGEL. Yes, sir.

Senator KERRY. What did you think of the law enforcement efforts at that point? Were they a crimp on your style? Were they significant or were they harassment?

Mr. VOGEL. They didn't affect us. It was my belief that if something was well planned and there were no leaks from the operation, that we couldn't get caught. So——

Senator KERRY. And that proved to be true; correct?

Mr. VOGEL. Yes, sir.

Senator KERRY. Until a later date which we will come to at a later time.

Mr. VOGEL. Yes, sir.

Senator KERRY. Now, did you also at some time use the space shuttles as cover?

Mr. VOGEL. Yes. We in reading publications, you know—as a matter of fact, I was reading about the retrievable rockets from the space shuttle and where they were dropped, and I said, I was talking with, at that time I was talking with Steve Kalish, and if they had to retrieve the rockets, obviously they would bring in military craft and bring in Coast Guard, and it proved to be true. They pulled the Coast Guard out of the Yucatan and out of the Mona Passages. So, we would try to come as close to launch date of the shuttle when we were coming through the Yucatan so that the Coast Guard would be out of the area and we could come in.

Senator KERRY. Why did you use what are known as repeaters?

Mr. VOGEL. Well, a repeater——

Senator KERRY. You might describe what that is.

Mr. VOGEL. The repeater allows you to have two channel frequencies. It allows one individual to talk to another and speak back on a different channel. There's two reasons for it. One is for distance communications, you can speak 25, 30, 40 miles with a repeater. The other is if one of your channels happens to be being listened to, the other one usually isn't. That's a problem we found with law enforcement until we were able to get both their frequencies. You could listen to one side of a conversation but you couldn't listen to the other. One side is just enough to get a taste of what is going on, but not enough to figure out what is totally going on.

Senator KERRY. What about pulling transponders? What is the effect of pulling transponders?

Mr. VOGEL. Well, sir, it's my—I'm not a pilot, but I—a transponder is a broadcasting device that puts out a code to air traffic controllers, I believe. It is on a radar screen. When you are leaving the country or entering into this country or you don't want to be known, what you do is you pull your transponding unit so that you don't show up on radar.

It's a hazardous thing, I guess, because you're interfering with normal traffic, and the air traffic controllers don't know where you're at.

We, Michael also had a device that we could look on the aircraft to see if the Government had placed a second transponder, which we had found to be—was happening a lot. You know, planes were being interdicted because someone would walk by and stick a secondary transponder on it. So, these transponders, it would only happen in the air, you know, they triggered when you fly. So, we would take the aircraft up and he would sweep the aircraft to see if——

Senator KERRY. To make sure it didn't have a second transponder and so forth.

Mr. VOGEL. A secondary transponder, yes, sir.

Senator KERRY. Did the equipment that you developed from David Heller get to the point that you were considering actually selling these technologies to foreign governments?

Mr. VOGEL. Well, sir, David was—the equipment that David developed for me specifically and which you are referring to, I was involved in a business deal to computerize the Philippine Government Prime Minister's office, and David——

Senator KERRY. This was what year?

Mr. VOGEL. This was 1984, and this was a completely legitimate deal. David was my computer programmer and computer designer. As a matter of fact, he had just pleaded guilty to some charges in Detroit stemming out of the Danny Patrick thing, and he was allowed to travel to the Philippines with me to help me formulate a proposal for the Philippine Government, and it was a rather elaborate and intricate program that he developed.

David had designed an encode-decode package that Danny Patrick at the time had approached the Government of Spain to purchase. They had described to me how they met with Franco, the then-premier or president of Spain, and they were impressed with the encode-decode package. David explained that they didn't go forward with whatever—they were doing an optics deal and doing the computer deal with the Franco government, and David explained to me later that it didn't go through because there were problems with the CIA, our Government not wanting the Franco government to come in——

Senator KERRY. This was really on the "legitimate" side; is that accurate?

Mr. VOGEL. Yes, sir, yes, sir.

Senator KERRY. But it was an outgrowth of what you had been doing on the illegitimate side.

Mr. VOGEL. Correct, sir.

Senator KERRY. OK.

Now, coming back to some of this information and surveillance, you actually had printouts of U.S. Coast Guard vessel locations; is that accurate?

Mr. VOGEL. Yes, I did.

We had—I obtained those from an individual in Detroit who had someone in the Coast Guard in the Great Lakes area, and we obtained printouts to see if people were on—if any of our boats or anybody else's boats that I knew of were on the hot list, lookout list, and we could tell also from—a lot of times they put the location of the cutters in the Caribbean on their printouts, and I could tell where the—where some of the traffic was coming from. And we knew basically from that, on a haphazard guessing level, you know, if this, say the *Dauntless* was in the Yucatan or the *Dauntless* was tied up at shore, which was one of the main interdiction vessels at that time.

Senator KERRY. Did your organization ever have some of your people, your operatives, disguise themselves as U.S. officials?

Mr. VOGEL. Yes, sir. In the North Carolina ventures, Steve Kalish provided most of the offloaders for that, and his people plus my people were the countersurveillance, or I called it surveillance at that time. And what one of those guys did——

Senator KERRY. What year is this?

Mr. VOGEL. This was 1982, in 1982. They went to one of the military PX's and got Coast Guard uniforms, and what they did was get in a boat and go up and down the area that we were working and check all the registrations on the boats.

Senator KERRY. In Coast Guard uniforms?

Mr. VOGEL. Yes.

Senator KERRY. You mean they put on a Coast Guard uniform——

Mr. VOGEL. Yes.

Senator KERRY. And get in what kind of boat?

Mr. VOGEL. We had a Boston Whaler at the time. It looked fairly official. And they would go up and check the marinas. What we were looking for was the position of the DEA boat. We knew there was a DEA boat on that river, and we were looking to see if there were any Customs boats or DEA boats, registration boats that the numbers that we could check out later, to see if they were around our area.

Senator, if you are involved in a smuggling operation and all of a sudden there's two extra cars in the area, or three extra boats, you know something's up; it's time to switch plans. You either extend the period that you're going to do your surveillance to see what they are up to, or you change to a different area completely. We always had secondary areas to come to if——

Senator KERRY. So, you were always surveilling the surveillers.

Mr. VOGEL. Yes, sir.

Senator KERRY. Did you use 800 numbers to facilitate narcotics trafficking?

Mr. VOGEL. Yes, we did, sir.

Senator KERRY. How did you do that?

Mr. VOGEL. There was 800 number services available out of California, and what was nice about it is that you could call them and give them any name in the world, and as long as you sent something through Western Union to pay for the phone for 3 months, that was all the checking that was needed.

Senator KERRY. So, this was a way of communicating but totally avoiding leaving tracing numbers.

Mr. VOGEL. Exactly. And what it allowed us to do, because we all couldn't be in the area at the same time, and if I needed to talk to Steve Kalish, I would call my 800 area and ask for, if there were any messages. He had a code name and he would leave a message.

What was nice about the system is they erased the messages every 24 hours so that there wasn't any buildup of evidence against us if it was ever interdicted.

Senator KERRY. What other techniques did you use, any that you haven't mentioned here?

Mr. VOGEL. Beyond—I switched to using charter aircraft rather than using commercial aircraft because of surveillance at airports. Electronics was one of our keys, using scanners. I used the scanners even at my own house at one time. I thought I might have been under surveillance.

Senator KERRY. What would the scanner do for you?

Mr. VOGEL. With the frequencies I had, if you were getting a lot of transmissions on the scanners, and they were local enough because the scanners would only pick up a certain radius, obviously they were around your location, we were able to, through other individuals, pick up intelligence information.

Senator KERRY. What kind of intelligence?

Mr. VOGEL. There was intelligence information that came out of the IRS just on me. There was—what I found, we used a lot of private detectives also, and what I found was that intelligence, it wasn't any agent selling information. It wasn't anybody at high level. It was usually people, secretaries and things, that give information to someone else, and they in turn give it to you.

Senator KERRY. Were there any other antisurveillance or intelligence gathering steps that you took?

Mr. VOGEL. Beyond that, now, I would investigate people if I thought there was a problem. I would use private investigators.

In my own operation we used——

Senator KERRY. Let me just ask you, you would hire a private investigator——

Mr. VOGEL. Yes, sir.

Senator KERRY. To investigate somebody about to be engaged in criminal activity.

Mr. VOGEL. Just to surveil, correct.

Senator KERRY. To let you know that they were OK to be engaged in criminal activity.

Mr. VOGEL. Yes, sir.

Senator KERRY. And the private investigator would be a private—would he himself be engaged in that activity, or would he be a legit private investigator?

Mr. VOGEL. Legit. You know, I didn't discuss——

Senator KERRY. Did he know what he was doing it for?

Mr. VOGEL. Sir, I had a lot of different roles, and I carry myself fairly well. I was able to tell people that, you know, I have a business or so and so, and I really want this person investigated, I want their complete background, I want to know what their military service was.

Senator KERRY. So, you postured that it was for a legitimate business.

Mr. VOGEL. Yes, sir, yes, sir.

Senator KERRY. OK.

Let me come back to something you said that amazed me and also disturbs me. You said at one point you had Air Force One's frequency?

Mr. **Vogel**. Yes, sir. The U.S. Government knows of it. They found it in a house—the DEA found it in a house that they raided in Florida back in the early 1970's. We had all the frequencies at that time. And it caused them great problems because electronically, once you have a frequency, they can't turn around and change it the next day, they are stuck with it for a limited amount of time, at least, and they have to—I am sure it was disconcerting to them to find out that people knew where they were and what they were talking about.

Senator **Kerry**. On occasion did you have difficulty, notwithstanding all these efforts, did you lose some loads?

Mr. **Vogel**. Yes, we lost a load in Moorhead City.

Senator **Kerry**. Moorhead, let me just ask you——

Mr. **Vogel**. Moorhead City, NC.

Senator **Kerry**. How many States were you basing this operation in over this period of the 1970's through 1980's?

Mr. **Vogel**. With the Carroll operation, we worked Tennessee, Indiana, Kentucky, in this plane operation. With Michael Palmer I worked in Georgia one time, the rest of them were in Kentucky, eastern Kentucky. With the boat smuggling operations, we worked in Alabama, Louisiana, North Carolina, and we did one in Cape Canaveral one time.

I have worked—the only area I personally stayed away from was the Texas area. I didn't feel comfortable around there.

Senator **Kerry**. Did you also work Michigan with Michael Palmer?

Mr. **Vogel**. Yes, we worked it twice in northern Michigan, two DC–6 loads, Antrim County.

Senator **Kerry**. And when you say you had all the frequencies, what does that mean, all the frequencies?

Mr. **Vogel**. With Michael Palmer, it was my belief, and it still is my belief, Senator, Michael Palmer told me early on that he had a Customs individual that not only provided us with the frequencies of the aircraft, but provided us with information on major interdiction movements.

Michael Palmer, I would go to him, not only in our ventures with Michael, but when I was doing things with Kalish and Leigh Rich and other people. I was good friends with other smugglers that were smuggling, and I sold marijuana for other smugglers. If I knew there was something going on, I would ask Mike, "Listen, could you find out if there's any major interdiction things going on at the time," and he would give me the answer, and if his answer was that there was something going on, I would tell the people, and they wouldn't work. If nothing was going on, they would work, and they were successful.

Senator **Kerry**. So, Palmer was a great source to you of interdiction knowledge and inside information; is that accurate?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. And you operated on the basis of the information given to you from Michael Palmer?

Mr. **Vogel**. Yes, I did, sir.

Senator **Kerry**. You sometimes would not do an operation based on his information?

Mr. VOGEL. Yes, sir. There was a time that another smuggler had asked me to get some information because they were just going to start up out of Jamaica to Oklahoma, and I had asked him, and he had told me that there was a problem, they were working an interdiction thing in the Caribbean looking for small aircraft, and I told the individual that, "You know, now is not a good time," they didn't, they started up a month and a half later.

I have just recently been told by Michael Palmer that everything he told me was a lie, that he made it all up. I find it hard to believe.

Senator KERRY. Because you actually operated on the information he gave you.

Mr. VOGEL. Yes, sir.

Senator KERRY. And the information he gave you was good and panned out; correct?

Mr. VOGEL. Yes, sir.

Senator KERRY. When he said not to do an operation, in effect, you didn't and things worked out.

Mr. VOGEL. Correct.

Sir, in the large venture that we did, the *Bulldog* bargeload that Steve Kalish, I, and Leigh Rich——

Senator KERRY. What is the *Bulldog* bargeload?

Mr. VOGEL. It was brought into, in June 1983, into around Lafayette, LA. It was a 300,000-pound load of marijuana placed on a barge brought from around Barenqui, in Colombia, up to that area. We had been in the planning of this thing for almost a year and had dumped $1½ million, $2 million——

Senator KERRY. What is a 300,000-pound load worth? What would that have been worth in 1983?

Mr. VOGEL. $90 million.

Senator KERRY. What?

Mr. VOGEL. $90 million.

Senator KERRY. $90 million.

Mr. VOGEL. Yes, sir. And we had—I mean, there was extensive planning into, extensive planning, from my end, securing the vehicles to unload it, from my end, getting the warehouse places to actually store it, weigh, it process it.

Senator D'AMATO. Would you do us a favor and give us some specificity as it relates to what your end was?

I was going to ask, Mr. Chairman, you described it basically as distribution, but you have given us basically scouting out, counterintelligence, seeing to it that you had the right people there to load and unload, warehouse.

Did you actually then, thereafter, would you give us some detail on what kind of operation did that entail? Was it then the sales to wholesalers? How did that work?

Mr. VOGEL. Yes, sir, actually in sales to wholesalers.

That was my main——

Senator D'AMATO. The sales.

Mr. VOGEL. My main function, sales. I'm sort of unique in that I have seen in the marijuana business because I was involved in the——

Senator D'AMATO. Let's say 30,000 pounds comes in. That is one of the bigger—that is a DC-9 load?

Mr. **Vogel**. DC-6 load.

Senator D'**Amato**. That comes in, 30,000 pounds. What would you do? Would you give us a typical thing?

Mr. **Vogel**. Yes, sir. The first thing, it would be placed in trucks and brought to a warehouse facility that I would have. Then it would be——

Senator D'**Amato**. Did you always use the same facility, or you used different facilities?

Mr. **Vogel**. Different facilities, different facilities. We had some that were very, very good. They were businesses that would stop their business while we were working, maintain a cover for us, and we would go ahead and do what we were doing.

Sir, the marijuana would be unloaded, it would be looked at to actually see what quality of marijuana it was. We would then weigh it, tag it—we used a three-carbon tag, one that we could weigh the product with, give it a bale number, remove the top tag for our files, the customer when he would take it would remove his tag, and there was always a tag left for his customer. So, it was a three-way tag system with corresponding numbers on the tags so we would never lose the product. You know, when you speak, of 30,000 pounds, you are talking about a large number of bales.

Senator D'**Amato**. You bale it, you tagged it, you have it weighed, you have checked it for its content, it is in the warehouse, what happens then?

Mr. **Vogel**. At that point I would call people that were in the marijuana business, tell them that I was successful. Usually we had investors that were also would distribute marijuana. I would call them that we were successful. They would tell me, I would say how much do you want, it is good. They would bring their trucks to an area. I would take their trucks with my drivers, load it up and send it back to them. I would try and get the marijuana distributed as quickly as possible.

After that, sir, then it was a matter of collecting money and keeping records.

Senator D'**Amato**. In other words, the transactions were not always marijuana for the cash, but it was there, you had established a customer network with a certain amount of——

Mr. **Vogel**. Yes, sir, and it was very rarely cash for marijuana from me. It was called fronting. The marijuana business——

Senator D'**Amato**. You fronted it.

Mr. **Vogel**. Yes, I fronted it. It was a tight network but a very trusting. I was never cheated. Nobody ever said, "Mike, I didn't get this." I was always paid.

Senator D'**Amato**. How much, in the 10-year period, was it about 10 years I think you testified that you were operating in this, 14 years?

Mr. **Vogel**. Yes, sir.

Senator D'**Amato**. How much money did you actually make?

Mr. **Vogel**. I've got a problem with that one. I would prefer not to get involved in that area, sir.

Senator **Kerry**. I think he has some problems with the IRS.

Senator D'**Amato**. What was the totality of the gross?

Mr. VOGEL. The totality of the gross, if you take—I would have to sit and figure it out, sir. The 300,000-pound barge had a gross value of $90 million.

Senator D'AMATO. You are into the hundreds of millions of dollars over 14 years.

Mr. VOGEL. Yes, sir, yes, sir.

Senator KERRY. With just marijuana.

Mr. VOGEL. Yes.

Senator KERRY. And it is accurate, is it not, that cocaine began to push the marijuana business out?

Mr. VOGEL. Yes, sir.

Senator KERRY. And you began to feel that pressure, didn't you?

Mr. VOGEL. 1980, 1981, sir, yes, sir. It was——

Senator KERRY. In fact—I'm sorry.

Mr. VOGEL. That was the time when the Cuban-Colombian wars were starting in Miami, and they were killing each other, cocaine was becoming the drug that the Colombians wanted you to take.

I had a moral problem with cocaine. I still have a moral problem with cocaine. I didn't get involved in cocaine. Other people did.

Senator D'AMATO. You talked about the launches. Where did you launch from and how was that accomplished?

Mr. VOGEL. Sir, with ships or airplanes? Boats or airplanes?

Senator D'AMATO. With either. Where did you fly most of your product from? Did it come by boat?

Mr. VOGEL. All of our product came from Colombia. There was a couple of incidents where we brought it from Belize. There was another couple of incidents when we brought from Jamaica.

Senator D'AMATO. But most of the time you ran it out of Colombia?

Mr. VOGEL. Out of Colombia, yes, sir.

Senator D'AMATO. That's the planes directly out of Colombia and the ships?

Mr. VOGEL. Yes, sir.

Senator D'AMATO. What, if any, knowledge do you have as it relates to the circumstances that provided you that opportunity? For example, were Colombian officials taken care of, military, police?

Mr. VOGEL. Sir, the scenario in Colombia, there's an individual named in our indictment, Julio Nasser David. He's one of the major marijuana guys in Colombia. But the actual movement of marijuana from the mountains down to the seashore, there's a system of payments.

The Colombians have always said, the reason that prices are high, they've got to pay off the generals, the police, the national police. Everything is a protected payment system in Colombia and nothing is moved without people, officials in their government, being paid off for the movement.

Senator D'AMATO. And once you paid off, you had no difficulty? Did you ever have any difficulty in Colombia?

Mr. VOGEL. Yes, one time we did. We sent a boat down. It was Steve Kalish and I, one of the North Carolina loads. It was interdicted. It was sent to the wrong place.

There's a place called Cameronay and there's a place called Cameronez. The Cameronez is a military base. Well, they went into a military base, and it was seized. They had to be paid off $100,000 to release our vessel, and they were paid off and our vessel was released.

And it went further down the coast and got loaded and came back to the United States.

Senator D'AMATO. But once you had established your method of payment to whoever the local area was, you never had any problem?

Mr. VOGEL. No, sir.

Senator D'AMATO. Let me ask you just one other question. Let's take the $90 million street value as it related to the 300,000-pound load that you brought in. What would your cost be as it related to those people who produced it and got it into the form when it was finally bailed and placed on that plane to take it in?

Mr. VOGEL. The cost—they had a two-step process of charging down there. You have to make a down payment. The down payment really never covers their cost. Their true cost down there is about $4 a pound, $4 U.S. a pound.

Senator D'AMATO. That's $1.2 million?

Mr. VOGEL. Right, correct.

But they charge us—we put up—there was $1 million put down on that load originally. That was at $70 or $75 a pound, whatever that purchased. The remainder was $100 a pound. So, we were paying $30 million for that load to the Colombians.

Senator D'AMATO. So, you had an initial payment to secure their cooperation of making it available, and thereafter as you put it out, that was the front-ending that you did. You waited for money to come back, collected the money, and it would go back?

Mr. VOGEL. Correct.

Senator D'AMATO. I don't know, Mr. Chairman, if you are going beyond, because I know you have another very important witness.

Senator KERRY. We have a considerable amount of more interesting information, so we are going beyond.

Senator D'AMATO. I was wondering, on the question of the money itself, what part did you play in getting that money back?

Mr. VOGEL. To Colombia?

Senator D'AMATO. Yes.

Mr. VOGEL. Our arrangement to pay for Colombians were either in this country that we would pay them or we would pay them, when I was working, in the Cayman Islands. The money was taken down and paid there.

That particular load, there was a large amount of the payments that were made also in Panama. I was not involved after that. I left that particular trip the day before it arrived.

Senator D'AMATO. You'd collect all of this money, now, Mike, as your people would come in and pay you after they were out on the street for a while distributing. What was your general method of transferring that cash to the Cayman Islands or to Colombia?

Mr. VOGEL. Private aircraft, private aircraft.

Senator D'AMATO. And did you undertake that yourself?

Mr. VOGEL. To the Cayman Islands, yes, sir.

With Michael Palmer, what usually happened is that he would take the money down for the one we just did and down payment for two more with him when he would go down to Colombia to load up to bring back more marijuana.

Senator D'AMATO. What's the largest amount of money that you ever transported down there?

Mr. VOGEL. Down to Colombia?

Senator D'AMATO. Well, Colombia or to the Cayman Islands.

Mr. VOGEL. I believe I brought in $4 million one time to the Cayman Islands.

Senator D'AMATO. That's in small bills. That's a lot of money?

Mr. VOGEL. Yes, it was very heavy.

Senator KERRY. A very heavy load.

Mr. VOGEL. A very heavy load. It is physically heavy. Money is physically heavy.

Senator KERRY. What did you do, box it?

Mr. VOGEL. Suitcases—$1 million in twenties weighs about 120 pounds. Obviously, the larger denominations——

Senator KERRY. You have to be in a very selective business to understand that, don't you?

Mr. VOGEL. Yes, sir.

As a matter of fact, the Cubans and Colombians I knew, when they dealt in large amounts of money, they actually weighed their money rather than put it through a money counter.

Senator D'AMATO. Did you ever go to Panama to meet with its leadership?

Mr. VOGEL. One time in late 1979 or early 1980, I traveled with a Cuban individual, a friend of mine. And at the time, it was to discuss with his contacts in the Panamanian government the ability to use one of their coastal islands for the importation of marijuana.

I wanted to actually bring it from Colombia, put it on the island, and use it for small airplanes. This individual was interested in the cocaine end of it and wanted us to get involved in the cocaine end of it.

Senator KERRY. Where did you go to have this meeting?

Mr. VOGEL. We went to an island off the coast of Colombia—off the coast of Panama. We went down in a KingAir. We left Opalocka Airport. My friend had his own pilot.

We landed—he informed me when we were going down that we were going to meet a guy by the name of Torrijos, who was the President of Panama at the time. At the meeting there was myself, the individual I was with, and the pilot, but he was in the background. I was more or less in the background also.

The discussion came—there was a point in the discussion where Torrijos himself was in——

Senator KERRY. Was anybody else there with Torrijos?

Mr. VOGEL. Yes, there was a colonel who is now the——

Senator KERRY. Is that Colonel Tony Noriega?

Mr. VOGEL. Yes.

Senator KERRY. He was there, too?

Mr. VOGEL. Yes. He was a colonel at the time. He wasn't a General.

He was fairly close-mouthed. He was more of a listener at the time than anything else.

It was a short meeting, it was a fairly short meeting. It only lasted 3 hours. When they started talking that they wanted *x* amount of dollars for each pound of marijuana, and then Louis started getting into the cocaine end of it—they wanted originally

$100,000 for every trip with marijuana, which is ludicrous for a small airplane. There is only a $340,000 to a $500,000 net, not net but a gross on a trip.

The numbers weren't correct. I thought they were being extremely, extremely greedy in the venture.

Louis wanted more to get involved in cocaine. He thought by the meeting and showing me we could have safety down there that we would move cocaine out of Venezuela. He had something of a Venezuelan air base.

Senator KERRY. So, basically, in 1979 you met with the President of Panama, then Torrijos, and with Colonel Noriega at the time. This is in 1979?

Mr. VOGEL. Late 1979, early 1980.

Senator KERRY. Late 1979, you were cutting a deal at that time or a deal was being proposed with respect to the use of Panama, and essentially they were too greedy for you, so you didn't take it?

Mr. VOGEL. Yes.

Senator, in this business a lot of things are proposed. Everybody has an idea. You find very few people with either the know-how or the money to make something work. I've had a million things proposed to me, and you have to weed them out, you have to weed them out.

It's nice that you can have governments working for you, but that isn't necessarily the thing that makes something work. There were times where we had offered to us Mexican coast guard that would interdict our boat, take it around the coast of Mexico, and release it in the gulf. They wanted $100,000.

Senator KERRY. Now, who proposed this?

Mr. VOGEL. Some Cuban friends of mine said that they had the contact.

Senator KERRY. And they were able to deliver the——

Mr. VOGEL. Seize it on the Caribbean side, take it through the Yucatan, deliver it in the gulf side.

Senator KERRY. They were able to guarantee that the Mexican coast guard would do that?

Mr. VOGEL. Yes, sir.

Senator KERRY. And this was cartel people?

Mr. VOGEL. People that are working with the cartel, yes, sir.

Senator KERRY. Now, you've come to know considerably more about the cartel lately, haven't you?

Mr. VOGEL. Yes, I have, sir.

Senator KERRY. I want to go into the cartel with you a little bit later.

Did your organization make use of Haiti?

Mr. VOGEL. Sir, not with Palmer, but I also sold some marijuana for another organization of pilots, and one of their fueling points or one of their possible refueling points was Haiti.

I flew one and one only trip, and I saw Haiti and I saw the airplanes stuck in the mountainsides of Haiti. Everything I've ever heard about Haiti from other smugglers, it was a problem area and they didn't keep their word. You could pay them money, but they never showed up with the proper fuel.

So, my knowledge of Haiti is very, very scarce. It's not on a personal level.

Senator KERRY. You said you went down to Cameronez and the boat was seized?

Mr. VOGEL. Yes, sir.

Senator KERRY. And then released.

Mr. VOGEL. Yes, sir.

Senator KERRY. On payment of money.

Mr. VOGEL. Yes, $100,000.

Senator KERRY. Do you know whether or not—you may not know this, but I assume that that seizure would then be recorded as a drug seizure by the government to show that it was cooperating?

Mr. VOGEL. It's supposed to.

Senator KERRY. It's supposed to be recorded?

Mr. VOGEL. I imagine.

Senator KERRY. Likewise, if the Mexican coast guard seizes a boat, escorts it around the gulf, and then releases it, it would count as a seizure in statistics showing cooperation, would it not?

Mr. VOGEL. Correct, sir.

Senator KERRY. Did you know in fact whether or not?

Mr. VOGEL. No. I would have hoped that they wouldn't report it as a seizure.

Senator KERRY. You don't know that?

Mr. VOGEL. No, I don't know that.

Senator KERRY. Well, then let's leave that alone and proceed.

So, Haiti was a problem to you in terms of air refueling, is that correct?

Mr. VOGEL. All of the islands are possibilities. Haiti is in the smuggler flight plan, so the people that I talked to——

Senator KERRY. Did you know people who used Haiti?

Mr. VOGEL. Yes, I did.

Senator KERRY. So, Haiti was being used?

Mr. VOGEL. Yes, it was.

Senator KERRY. As a transshipment point?

Mr. VOGEL. As a transshipment point.

Senator KERRY. What about Jamaica?

Mr. VOGEL. Jamaica, sir, I have been involved in smuggling from Jamaica. I have intimate knowledge of loads from Colombia, brought into Jamaica and stored there and brought out of Jamaica. Jamaica has always been used. It's a good——

Senator KERRY. Did your organization use it?

Mr. VOGEL. Yes, sir.

Senator KERRY. Jerry Carroll used it?

Mr. VOGEL. Yes, Jerry Carroll used it extensively.

Senator KERRY. The de Prima organization used it?

Mr. VOGEL. Extensively.

Senator KERRY. Ronny Bell's organization used it?

Mr. VOGEL. Yes.

Senator KERRY. Any other organizations?

Mr. VOGEL. It's part and parcel of the de Prima organization.

Senator KERRY. Beg your pardon?

Mr. VOGEL. Ronny Bell and——

Senator KERRY. I'm sorry?

Mr. VOGEL. Yes, there were other organizations that did use it. There was a point at one time——

Senator **Kerry**. The officials at Montego Bay or elsewhere worked with you?

Mr. **Vogel**. Yes, the chief of police out of Montego Bay worked.

Senator **Kerry**. Any others that you know of?

Mr. **Vogel**. No, that was their main—I know that the airport personnel worked.

Senator **Kerry**. You were starting to say something and I interrupted you. You said there was a point at one time?

Mr. **Vogel**. There was a point at one time that I had a meeting in Jamaica with Leigh Rich and a guy by the name of Ed White. I don't think Ed's in Jamaica any longer. But it was a funny discussion because he was telling us how that de Prima, Carroll, and the rest, they had to slow down at one time because they were using more aviation fuel than the airlines were and it was causing a problem.

I know that they had complete safety in Jamaica, complete safety. The only problems in Jamaica later on was that the Jamaican coast guard had United States training or had United States personnel on it and you couldn't buy them.

Senator **Kerry**. What year are we talking about?

Mr. **Vogel**. The last meeting I had in Jamaica was 1985.

Senator **Kerry**. 1985?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. Now, did you personally make payoffs to officials in any of these locations?

Mr. **Vogel**. No, sir. I've paid off officials in the United States, but not—you know, local sheriffs and things.

Senator **Kerry**. You have paid off officials in the United States?

Mr. **Vogel**. You know, law enforcement.

Senator **Kerry**. Law enforcement officials in the United States?

Mr. **Vogel**. Yes.

Senator **Kerry**. Was that a regular practice?

Mr. **Vogel**. No, sir, only when it had to be done.

Senator **Kerry**. How often did it have to be done?

Mr. **Vogel**. In the Carroll organization, we were using a sheriff of a county there that protected us. That worked. In the North Carolina thing, some of Kalish's people were able to pay some law enforcement in that area.

There has been other payments to law enforcement.

Senator **Kerry**. What sort of size payment are we talking about?

Mr. **Vogel**. $50,000, $60,000.

Senator **Kerry**. In one payment?

Mr. **Vogel**. In one payment, yes, sir.

Senator **Kerry**. To permit what?

Mr. **Vogel**. Usually all we requested was that, do nothing.

Senator **Kerry**. Look the other way.

Mr. **Vogel**. Look the other way, yes, sir.

Senator **Kerry**. And you got the looking the other way?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. And you say only when you had to. What created the situations where you had to?

Mr. **Vogel**. Well, if there was a lot of surveillance at an airport we wanted to use. That's what raised the problem in Tennessee.

There was another time where we were going to—Mike Palmer told me that we had a sheriff out of Arkansas that we were going to be able to use. And then he came back—which was pretty good news to me. Arkansas was a different area. I was getting tired of Kentucky.

But he came later and said that this sheriff had led the charge on some tax protesters that were holed up somewhere and was killed in the process of trying to arrest these people. So, that ended that.

Sir, I've found, even when I was working in Antrim County and we didn't have the sheriff up there, I've found that if you had a couple hundred thousand dollars with you in cash, it was much easier to approach the two officers that would stumble upon you and say: "Guys, look at, here's the money and the marijuana, leave us alone; we're going to be gone from here in an hour."

Senator KERRY. And that would work?

Mr. VOGEL. That was part of our methodology. You know, it was a secondary plan.

Senator KERRY. Coming back for a minute to the meeting with Torrijos, did you initiate that meeting? Who set that up?

Mr. VOGEL. Louis.

Senator KERRY. Who's Louis?

Mr. VOGEL. My Cuban friend.

Senator KERRY. Cuban friend.

Did you smuggle through Mexico?

Mr. VOGEL. Yes, sir.

Senator KERRY. Do you know about money being laundered in the Cayman Islands?

Mr. VOGEL. Yes, sir.

Senator KERRY. What can you tell us about that?

Mr. VOGEL. What we would do is bring money into the Cayman Islands. There was no questions at customs.

Senator KERRY. Would you fly it in?

Mr. VOGEL. Yes, sir.

Senator KERRY. In the airplane?

Mr. VOGEL. Yes, sir.

Senator KERRY. Just unload the suitcase?

Mr. VOGEL. Unload the suitcases, carry it through customs, announce that you had money and therefore they wouldn't even look at it. You would then take it to an attorney, who would make arrangements to have it counted.

Senator KERRY. What size amount of money would you bring into the Cayman Islands?

Mr. VOGEL. A million dollars, $2 million, $3 million.

Senator KERRY. Now, if banks——

Mr. VOGEL. There was a time, Senator, when—as I said, I left the large barge, but in talking with some individuals in the Cayman Islands, Kalish had moved $20 million through at one time.

And the attorney that was in the middle of that whole thing was just sick to his stomach about it. He said: "Michael, you said these people are OK to work with." He said: "They bring $20 million in here. I have been talking with three different countries right now—United States, Panama, Turks, and Caicos, and the Cayman Islands. What are we going to do with this cash?"

He said: "I can no longer do this."

Senator KERRY. So, they had no way of really handling that money?

Mr. VOGEL. Right.

Senator KERRY. But it was transshipment anyway. It would simply be laundered through and go out?

Mr. VOGEL. Exactly.

Senator KERRY. Why is that a problem then?

Mr. VOGEL. It was just the sheer volume—$20 million in cash is a lot of volume. It causes a stir in the banks. Anything that upsets the norm and causes something to——

Senator KERRY. But the banks didn't have any problem doing it?

Mr. VOGEL. No, sir.

Senator KERRY. Whose money was it that you brought into the Cayman Islands?

Mr. VOGEL. At times it was my own. It was payments for the Colombians, payments for the crews. It was Palmer's money. You know, what money that was designated to go down to the Caymans for payment, I would take down.

Senator KERRY. Now, if banks suddenly made it hard for people to deposit the cash in those amounts in the way that it has in Panama, the Cayman Islands, et cetera, what would happen to your business? Anything?

Mr. VOGEL. Sir, there will always be a bank somewhere or a business that will take the 5 or 10, maybe 20 percent later on, that will launder that cash, it seems to me. I have been incarcerated for the last 2 years and I notice there has been a large upheaval. I know the Cayman Islands won't take a deposit of over $10,000.

But there will be banks that will take any amount of money for the percentages.

Senator KERRY. And do they cut their own special deal on the percentage?

Mr. VOGEL. Sure they do. Yes, they do.

Senator KERRY. Sometimes driving a hard bargain?

Mr. VOGEL. Correct.

I know through some information I obtained that, with the problem in Panama at the moment, that it's caused a huge problem with storage, you know, the movement of cash. But they have opened up the banks in Uruguay and Paraguay now for receiving and transferring that cash now.

Senator KERRY. So, Paraguay and Uruguay are now the substitutes for Panama?

Mr. VOGEL. Correct.

Senator KERRY. And you know that through what, conversations in prison?

Mr. VOGEL. Correct.

Senator KERRY. And do you know it from any other sources?

Mr. VOGEL. The source I have is a very reliable source.

Senator KERRY. We don't need to go into it now. But as I discussed with you beforehand, where there are some names for specific reasons you need to hold to yourself, you will share those with us in closed session?

Mr. VOGEL. Yes, sir.

Senator KERRY. Did you also smuggle through Mexico?

Mr. **Vogel**. Sir, as my counsel pointed out, there are some names I will not be able to share, for other reasons I will discuss in closed session.

Senator **Kerry**. I understand that. There are a small number of names that we have agreed, that we understand, OK.

What about Mexico? Did you smuggle through Mexico?

Mr. **Vogel**. Yes, we did. We smuggled from Belize and we smuggled from Mexico, around the Oaxaca Valley area. My one experience in Mexico, I came from Belize, went over to Mexico to look at some marijuana in that valley over there. And I met with a commandant or a general of that state. We discussed the purchase of landing rights to use his strips there.

And in the process of the conversation, he wanted to know if I wanted to buy a couple gringos out of there that he had caught. And we've done that in Colombia, Kalish and I and Rich. If we found someone who was in prison down there, even whether we knew them or not, we used our influence to get them released.

In Mexico, I looked at the product, looked at the strips, discussed what he wanted. He wanted $50,000 U.S. per flight, per load, and he would guarantee the safety of the product, he would guarantee the safety of our personnel, and guarantee the fuel, which isn't a bad deal.

The problem I had with Mexico is that he had a couple North Americans in his prison, and he wanted to obviously impress me or raise the price on these people, because he brought me to see them. And they were in the midst of being tortured.

One guy was on a mattress and they were using a wet mattress with cattle prods. And the other guy they had used Coca-Cola and pepper juice and shot it up his nose.

Well, I did buy their freedom. It cost me $50,000. And we took them back to Belize and you're on your own. And I was through with Mexico. It scared me. If I've got to deal with those kind of people, I'd rather not deal, do any business whatsoever.

We had problems in Belize with one of the local people. You know, it was a matter of he was happy with the money, but he heard we had more money. And so he arrested one of my people and beat him, and we actually had to ransom him out of that situation.

And we never had those problems in Colombia. It seemed that Colombia was a little bit more honorable in keeping their commitments.

Senator **Kerry**. Is it fair to say, Mr. Vogel, that Michael Palmer became the boss of your operation?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. He was your boss?

Mr. **Vogel**. Yes, sir, and how I describe that, I handled—our arrangement was Michael Palmer would supply the marijuana, the airplane, the pilots.

Senator **Kerry**. He handled the transshipment piece.

Mr. **Vogel**. Transshipment.

Senator **Kerry**. Getting the load.

Mr. **Vogel**. Correct.

Senator **Kerry**. Bringing the load up.

Mr. **Vogel**. Correct.

Senator KERRY. And delivering it to you.

Mr. VOGEL. Delivering it to——

Senator KERRY. And he was responsible for the airplanes and pilots.

Mr. VOGEL. Correct, and the purchase of the product and the rest. I had an agreement to purchase the product from him at $280 a pound. I paid for the unloaders, the salary of the unloaders and the transportation to my facilities where it was sold. I had a standard—my standard payment was I had a payment of $90,000 per load with the people that were involved in it, in the unloading, and I paid Palmer's $280 pound for this.

People have asked me weren't you a partner? I made a third of the money, 20 percent of the money he made in the small airplane loads. Everything was run at his direction. We worked when Michael said we were going to work. We didn't work when Michael said we weren't going to work. There was a point he tried to take over the unloaders, and we had a big problem about that because he didn't think I was being proficient enough, you know, and diligent at my duties. I would say Michael Palmer was my boss; yes, sir.

Senator KERRY. Did you ever use a DC-6 to smuggle marijuana with Michael Palmer?

Mr. VOGEL. Yes, I did, sir. One time in 1983, another time in 1984, and we did have a true partnership in these loads.

Senator KERRY. How many DC-6's did you use with him?

Mr. VOGEL. We used the same DC-6 for those two loads. We had had, in the Carroll operation—and I have to digress. I have to go back to the 1970's—we had a DC-6 that Carroll had used, Palmer obtained it while Carroll was in jail. He had been in prison, he had a 6-month sentence. And we attempted to use it. I was unloading the aircraft for Palmer, he was bringing it up to—we had a place in Indiana. The weather conditions were such that the airplane was not able to land. It was solid fog.

Senator KERRY. This is when you had the load of marijuana on it?

Mr. VOGEL. Yes.

Senator KERRY. Is this the one that flew over Georgia?

Mr. VOGEL. Yes, it was, sir.

Senator KERRY. Do you want to describe that?

Mr. VOGEL. Yes, sir. It reached us, there was no way it could land. Palmer told them to go back to Florida, dump the airplane, get rid of the load. They threw the—the pilots later told me they flew the load out over a national forest in Georgia. As a matter of fact, I had a friend on the airplane that helped kick it out. The plane was then taken to Tallahassee and abandoned, and a little anecdote about it. Later on in the 1980's I was talking to some people from Georgia, and they told us about the night, told me about the night that marijuana was falling from the sky all over Main Street, and I thought it was, you know, a little bit of history about the business. It was sort of funny.

They obviously missed the national forest.

That plane, sir, was—that DC-6 was seized by Customs at the time. Palmer eventually got it released. We spent a lot of money in trying to refurbish the aircraft. Palmer later told me because it was——

Senator KERRY. How did you get—you got the plane back afterward.

Mr. VOGEL. Yes, sir.

Senator KERRY. That was a regular practice, wasn't it, with assets that would get seized?

Mr. VOGEL. Yes, sir.

Senator KERRY. How would you get them back?

Mr. VOGEL. I used attorneys. One of the ways, you would use a corporation, and the corporation would say, "Listen, it was a leased airplane, we didn't know what it was doing. It's not our fault that this happened. We want our airplane back."

Senator KERRY. So, you actually got that particular airplane back.

Mr. VOGEL. Yes, sir.

Senator KERRY. Now, why couldn't that airplane land?

Mr. VOGEL. Where we were at originally, it was fogged in.

Senator KERRY. What about afterward, why couldn't it land elsewhere?

Mr. VOGEL. It landed in Tallahassee. At that point—they knew it was from Colombia. It had vegetation sticking through the wings. The airplane was, as I said, refurbished, but Palmer didn't want to use it again. guess that's what you are getting to, because his information, it was on the hot sheet.

Senator KERRY. Palmer got it back, right?

Mr. VOGEL. Yes, Palmer got it back, he and his counsel, his attorneys, got it back.

Senator KERRY. He didn't use it?

Mr. VOGEL. No, we did not use it after that. Palmer took possession of that aircraft and——

Senator KERRY. Do you know where it wound up?

Mr. VOGEL. He said that he had a company, and that he had contracts for it.

Senator KERRY. Do you remember the name of the company?

Mr. VOGEL. Later I found out that this—no, I don't—at that time I don't know the name of that company. Later I found out that he had a company by the name of Vortex out of Miami, and that was where our second DC-6, the one that we used in Michigan, went to. He purchased that one also.

Senator KERRY. And this was the same Vortex Co. that had contracts with the Nicaraguan Humanitarian Assistance Organization; is that correct?

Mr. VOGEL. Yes, sir.

Senator KERRY. OK.

Now, I would like to try to identify some of these planes, if we can. We have some photographs here which I would like to show you.

And this will be marked exhibit No. 2.

Do you recognize the photograph you have?

Mr. VOGEL. Yes, I do, sir. It's a plane that we had, a DC-6 that we used in Antrim County twice, and it had the tail numbers at that time of 3434, and it used to have a stripe across the tail. Now it has one red stripe going down the side.

Senator KERRY. OK, is the photograph that you are looking at the same one as depicted on the easel there?

Mr. VOGEL. Yes, it is, yes, it is, sir.

Senator KERRY. OK.

Is that marked No. 1?

OK, why don't you just flip that over.

Let me just ask you, is that the plane that Michael Palmer owned?

Mr. VOGEL. Yes, it was, sir.

Senator KERRY. And that is the plane you used in this operation you talked about for smuggling.

Mr. VOGEL. Correct, sir.

Senator KERRY. Is that the plane that was then later transferred to Vortex?

Mr. VOGEL. Yes, it was, sir.

Senator KERRY. OK.

Now, do you see exhibit No. 2 as shown on the easel?

I do not think we have a blowup for that, but you have a color photo; do you not?

Mr. VOGEL. Yes, I do.

Senator KERRY. And what do you see in that photo?

Mr. VOGEL. I see a plane that looks identical to the first one, 3434, except for the coloring and the stripe.

Senator KERRY. The coloring has been changed?

Mr. VOGEL. Yes, sir.

Senator KERRY. And you were aware that the coloring was changed on that plane?

Mr. VOGEL. Yes.

Senator KERRY. What was it changed to, a red stripe and a blue stripe?

Mr. VOGEL. To a blue stripe. Sir, the blue stripe came after the airplane had been taken out of the place where we had it hangared to.

Senator KERRY. And that was in what year, 1987 that this was——

Mr. VOGEL. No, sir. 1985 is when this airplane went to Florida.

Senator KERRY. OK, let me ask you about the next photograph that you have.

Mr. VOGEL. Which is a tail section of——

Senator KERRY. I will tell you what. I am going to simplify this because I think that with you we can go through them.

Would you turn to the photograph marked No. 9?

Do you have that?

Mr. VOGEL. Yes.

Senator KERRY. What do you recognize photograph No. 9 to be, to depict?

Mr. VOGEL. With the striping, sir, it is familiar to 3434, but I can't positively say that it is.

Senator KERRY. What is the tail number on that?

Mr. VOGEL. That is N11VX.

Senator KERRY. Do you recognize tail number N11VX?

Mr. VOGEL. Sir, it looks to me that it was an airplane that we had, it looks to me like an earlier DC-6. It doesn't look like a 3434.

Senator KERRY. This is a different airplane, is that accurate?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. Do you recognize that as also one of the aircraft that you had together with Michael Palmer that was being used?

Mr. **Vogel**. Sir, now with the—it is dissimilar because when we saw it, it was an all-silver airplane.

Sir, this one has—the color schemes on this airplane are blue and orange. It is a similar airplane, but I can't positively be sure.

Senator **Kerry**. OK, but it is the same type of aircraft that you used, correct?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. Let me just ask you, through the rest of the photographs there, 9 through 13, do you recognize that to be the same aircraft as depicted in picture 9?

Mr. **Vogel**. Yes, I do, sir.

Senator **Kerry**. OK. And that is the same kind of aircraft that you used in conjunction with Michael Palmer in your drug smuggling efforts.

Mr. **Vogel**. Yes, sir. As a matter of fact, looking at No. 11 on this, looks like the same airplane that we used——

Senator **Kerry**. Right, let me go to No. 11 here.

You don't have that in the blowup. All right.

Mr. **Vogel**. No. 11 is a picture of a silver DC–6, and by the way it looks—and I have seen this airplane three, four, five different times, it looks like the DC–6 that was seized in Tallahassee.

Senator **Kerry**. And was later recovered?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. And later used by——

Mr. **Vogel**. It was recovered and then Palmer took control of that airplane.

Senator **Kerry**. All right, fine, thank you.

All right, those photographs will be made part of the record, and we will examine them again at a later time.

[The photographs referred to were marked exhibits No. 1 through 13 for identification, and appear in the appendix.]

Senator **Kerry**. Now, is there any particular reason that Mr. Palmer chose the markings that he did for those aircraft?

Mr. **Vogel**. The red stripe on 3434 was picked because we had the airplane hangared actually on a ramp up in Willow Run, Detroit, very close to Zantop Airlines, and Zantop's markings are the red strip, red stripe on the tail, and it was important that we do this because it would blend in to all the other large aircraft up there.

Senator **Kerry**. And Zantop is—what do you know about Zantop, anything?

Mr. **Vogel**. It is a cargo freight business worldwide. They do a lot of automotive work.

Senator **Kerry**. Operating out of where?

Mr. **Vogel**. Willow Run Airport, Detroit—actually, Willow Run, MI.

So, the red stripe allowed us to camouflage the airplane.

The problem with—there's only so many DC–6's in this country operating. The figure I got was 16, 17 DC–6's. Not all of them would you entrust with a run to Colombia and back. It is a long journey, and so it is easy for Customs or DEA to pinpoint an airplane. If you just leave it anywhere, you can't stick it at any airport without a legitimate reason or a business for it, and this airplane was camouflaged, it fit in, it was parked on the ramp of another air freight company, so we didn't have any problems with that.

Senator KERRY. Why was it camouflaged?

Mr. VOGEL. Because it was—we were using it for smuggling purposes, and——

Senator KERRY. So, this airplane was regularly flying Central American, South American routes.

Mr. VOGEL. No, sir, this airplane was in our usage. It was purchased from a company on the west coast, California, the west coast of the United States in California. It was brought to the place at Willow Run Airport. We used it on the two flights, the one—both flights coming in. That's all. It had been moved for—we had moved it a few times for the paint job, to have radio work done on the airplane, but we didn't actually fly the aircraft for any other runs while it was in my possession.

Senator KERRY. While it was in your possession.

Now, did Michael Palmer set up the dummy corporation which recovered this particular aircraft?

Mr. VOGEL. Yes, he did, sir.

Senator KERRY. OK.

Had Palmer set up other dummy corporations?

Mr. VOGEL. Yes, sir.

Senator KERRY. Were there a whole string of them?

Mr. VOGEL. Yes, sir. For the airplanes, and you would have to—if an airplane is caught, you want it to dead end. It's called deadending the title. It's like a car, so that no one—there isn't an investigation; it is stopped right there.

Palmer at one time, we had a Queenaire that was seized down in Colombia, and Mike—I asked him if there were going to be large problems with it, and he said no. The way that he had taken care of the title on this aircraft is through—he had found a company in Canada, Peebles Products, and he took the name of the company, registered the airplane to that company. He used the—he actually got a credit check on the company, he had the financial statement. He got a telephone close to the company headquarters, where their offices were. He used that as a phone number, actually created, using that company as a basis with a real address and a real entity, created the ownership for this plane, and he thought it was rather funny when the plane got caught that Peebles Procudts was going to take all the heat for this airplane.

Senator KERRY. Now, were you aware of the other dummy corporations?

Mr. VOGEL. I was aware of the Atlanta corporation that at the time was fronting for their aircraft. I was aware of the chain of events for the last Queenaire that Michael was interdicted on in Colombia. That particular one, he had—it was purchased, Michael had a company that purchased it a second time, and then he had a deadend ID that he used by the name of Michael Steadson. And he never—this was the only time that Michael ever really failed because he didn't have it completely clean. When he was arrested I had to run around and get an address for this company and give him an address and a location for this individual to have lived at, and gave that information back to him through an intermediary so he could arrange ownership of that plane.

Senator **Kerry**. All right.

We are going to take a 10-minute recess, and then we are going to finish with Mr. Vogel before lunch, and after lunch we will begin with the testimony of Mr. Osvaldo Quintana on Haiti, which may be interrupted briefly by the need to effect the immunity on Mr. Michael Palmer. We are currently—our counsel is in court this morning. That should be effected this afternoon, and then hear from Mr. Palmer conceivably as early as tomorrow, depending on how the deposition goes.

So, at this point we will recess for a period of 10 minutes.

[A brief recess was taken.]

Senator **Kerry**. The hearing will come to order.

Mr. Vogel, I just remind you that you continue under oath as previously.

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. I would like to just clarify a couple of items, if I can quickly.

The airplane, the DC-6 that you have identified, is the same DC-6 that went back to Michael Palmer; is that accurate?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. And that DC-6 subsequently flew for the Vortex Corp.; is that correct?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. Now, during the period of 1980 through 1985, while you were associated with Michael Palmer, do you know to a certainty that Michael Palmer during that period was involved in narcotics smuggling?

Mr. **Vogel**. Most certainly.

Senator **Kerry**. And you were involved with him.

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. And you flew those flights that you have identified here.

Mr. **Vogel**. Correct.

Senator **Kerry**. And that was right through 1985.

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. And you have described him during that period as your boss; is that accurate?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. Was he also involved in cocaine; do you know?

Mr. **Vogel**. There was an incident, yes, sir

Senator **Kerry**. One that you know of?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. Do you want to describe that?

Mr. **Vogel**. I would rather not at the moment, sir. Sir, if you would like for me to speak to that, I would be more than willing, but outside a public forum.

Senator **Kerry**. Let me ask you this, then.

We will do that, and we will do that—I have asked you to be available to us over the next couple of days.

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. And I know you will be, but let's just have the record publicly clear.

Was there an occasion that you are aware of and you know the details of that Michael Palmer was involved with cocaine?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. Smuggling.

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. And that was also about what period of time?

Mr. **Vogel**. In the 1980's, 1983, 1982, 1983.

Senator **Kerry**. Now, I also want to try to clarify, if I can, this incident where the marijuana was dumped out over Georgia.

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. Where did you bump into these people? Did you go to Georgia? Were you in Georgia?

Mr. **Vogel**. No, sir, I ran into these people that told me the story about the town in Kentucky. I was down in Kentucky, I was looking at some horses. We were working. All of our smuggling with Palmer took place in the eastern district of Kentucky. That's where the airstrips were.

And I got to know a lot of the local people, and I got to know people down there that were in the growing business of marijuana, which is a huge thing all across the United States, actual growth, you know, growing in the country.

And we were talking, and there's funny stories that come up, and it was just this one individual, I think his name was John, but I'm not positive. He was a tall kid, and he was telling me about the story in Georgia about when the actual marijuana fell out of the sky, and I was laughing, and just, you know, the whole thing was it was ironic that someone would actually tell me about something I knew about, that the marijuana—because I knew at that time we were doing that marijuana was kicked out of that DC-6, and it was just funny. It was a funny story.

Senator **Kerry**. Do you know where it landed in Georgia?

Mr. **Vogel**. No, I don't know the town. It was outside the big national forest. I think it was the Chatahoochee or something, a large forest. If you look on a map, you can see it. It is in a flight plan from Indiana down to Florida.

Senator **Kerry**. And another point I wanted to clarify a little more, the money that came out of Jamaica, whose money was that?

Mr. **Vogel**. Sir, when I was speaking about Jamaica, it was basically my understanding of the way Jamaica works. I have been in the Cayman Islands, I know a lot of the people in the Cayman Islands, business people, lawyers, people in the government down there. I had related to me a story one time, we were talking about Georgetown in the Cayman Islands, and one guy said "That's the—all that belongs to, I believe, the President, Prime Minister of Jamaica, Seaga." He said "That's all Seaga's." And I said "What are you talking about?" He says, "His brother is here." He said, "The money goes right into Jamaica and takes a left turn and comes right over the Caymans." He said, "They are buying up all of Georgetown." And I said, you know, I asked him just to elaborate because we were at a bar, and I thought it was interesting because I know that in Jamaica they have the chief of police bought, and it is an island. You can't operate like the people I know were operating without the head of that island knowing what's happening. They can deny all day long that they have anything to do with it, but the money is so substantial and it reaches to the top. I would be surprised.

Senator **Kerry**. What kind of sums? We have heard testimony from other people here, Ramon Milian Rodriguez, Steve Kalish, and others. What kind of sums of money are we talking about?

Mr. **Vogel**. One of the buildings that was pointed out to my in the Caymans that was purchased by this Seaga's brother, and it was Seaga Trust I believe was the name of the company, we are talking about a building there that was $38 million. You are talking about large sums of money that were coming from Jamaica into the Cayman Islands, not small sums of money.

Maybe the Seaga family is very wealthy, Senator. I don't know.

Senator **Kerry**. You've had some time in prison to think about what you've been doing, and you had a 25-year sentence at one point, 12½ years now. During that time have you thought about the implications of what you were involved in?

Mr. **Vogel**. Yes, I have, sir. Obviously, there's a tremendous amount of remorse for personal reasons. Incarceration excludes you from your family, excludes you from——

Senator **Kerry**. Do you have a family?

Mr. **Vogel**. Yes, I do, sir. I have a wife and two children, two young boys.

Senator **Kerry**. How old are your boys?

Mr. **Vogel**. Two and 3 years old.

There's a tremendous amount of sadness attached to that. Beyond that on a very personal level, sir, at one time I was very adamant that marijuana was very, very good. I still do look at marijuana as the other drug. It's not cocaine. I think cocaine is insidious.

I think it's worse than heroin. I thought that in the early eighties. I saw lives destroyed in the late seventies and the early eighties, before it became in vogue.

It's been pointed out that marijuana is a steppingstone drug. It very well may be so. It's something that, when used, yes, it open the door to use another drug. I broke this barrier, let me break this barrier.

I don't think that it has a place in anybody's everyday life. My problem, sir, was with alcohol on a personal level. And I wasn't a great marijuana user. I was involved in making money from it.

Senator **Kerry**. Could you speak up a bit?

Mr. **Vogel**. I was involved in making money from the marijuana. I wasn't a big user. I was an occasional user.

In retrospect, sir, I have seen this drug war that the U.S. Government has been fighting since the seventies and losing and losing. It's not only costing the resources of the kids of this country. It's costing the actual dollar resources for interdiction that could be very well used.

It's taking its toll on our civil liberties in this country through—this current administration is basically chipping away. Our Bail Reform Act, there is no bond, guilty or innocent.

But just watching things disappear that I grew up with and that my children won't be able to grow up with. Your children won't have their liberties. And it's in the name of stopping the drug business, and maybe it's right and maybe it's wrong. I don't know.

I don't know how you're going to stop it, sir.

Senator KERRY. Well, didn't you realize as you were doing this that the same structure—I mean, you ran into the cocaine business at some point, didn't you?

Mr. VOGEL. In 1981—yes, in 1980 and 1981. And it was the cocaine business—it was the infrastructure of the marijuana business that allowed the cocaine business to flourish.

Senator KERRY. And didn't the infrastructure that the marijuana business helped develop in fact get squeezed out a little by the cocaine?

Mr. VOGEL. Yes, it did.

Senator KERRY. How did that happen?

Mr. VOGEL. It was, say I had a normal customer that was used to taking 1,000 pounds, and all of a sudden his money wasn't free; it was involved in cocaine, and he only wanted to deal in cocaine. It's a very small package, a lot larger profits.

People for greed moved to cocaine. And it's been said to me over and over again since my incarceration—I've been a media event up in my area, and my 25-year sentence. People have said: "You know, why didn't you move to cocaine, why didn't you move to cocaine? You're getting the same amount of time."

The marijuana smugglers have moved to cocaine. They're given the same amount of time as cocaine as far as incarceration, the same kind of fines. And their chances of being caught with cocaine are less. It's smaller. And you're making 100 times the money.

The cartel right now is paying $4,000 a kilo to transport, to transport. You bring in 1,000 kilos, that's $4 million a run. That's not bad for 17 hours of work.

Senator KERRY. It's less bulky, it's easier. You don't have all the unloading problems and so forth.

Mr. VOGEL. Sure.

The big deterrent, the people I knew—as I said earlier, sir, I had a moral problem with cocaine. I've seen what it's done. It's a very destructive thing. I mean, it's been well documented now.

What I was going to say is that the thing that kept a lot of people out of the cocaine business, beyond their own morals, was the number of years you got if you were caught. Well, the years are the same now and the people have now moved in from cocaine into marijuana.

When the price of marijuana probably reaches $1,000 a pound, people will think it's worth the risk to handle that again. And the marijuana business is now a home industry. It's not so much an important industry, because it's grown all over the country.

Senator KERRY. Did you come to confront or understand the Medellin cartel?

Mr. VOGEL. Yes, I did, sir.

Senator KERRY. What can you tell us about the Medellin cartel? We are looking here, part of these hearings—let me just say incidentally that, you know, your testimony is fascinating on a lot of different levels and disturbing on all of them.

Obviously, it's an insight to drug trafficking. It's given us an insight to the sophistication. It helps us to understand what we're up against. We begin to perceive Jamaica, we understand the Caymans, we understand Paraguay, Uruquay, the Quicks Plantation, the degree to which greed, money, speaks in this process.

And I think we've understood those things, although I think it is helpful to lay it out on the table as you are doing and as we are trying to do here.

And I have said all along that there are a number of themes running through these hearings. Those are certainly some of the themes running through these hearings, and they will continue to be.

But you have also laid an important foundation with respect to Mr. Michael Palmer, who knew what and who's been doing what with respect to certain foreign policy decisions—our own involvement with countries, whether it's General Noriega or some other country, where we have unwittingly or wittingly perhaps been complicitous in this process.

And if in the end these hearings can underscore to everybody simply the lack of will that has existed, the lack of understanding and the need to refashion a strategy and to come at this from all sectors, then I think they will have been a success.

But I want you to talk about the Medellin cartel in that larger context, because you've talked with many people in prison, haven't you? You've been to a number of different prisons.

Mr. VOGEL. Yes, sir.

Senator KERRY. And you talk about a lot of that stuff, right?

Mr. VOGEL. Yes,, sir.

Senator KERRY. And it's pretty open there among fellow——

Mr. VOGEL. Well, sir, it's fairly open. I don't know what type of conversations I'm going to have after this, but prior to this I was a respected individual, well known in the drug business. Our case is well known.

Senator KERRY. Well, you don't exactly have to guard your reputation within that business, do you?

Mr. VOGEL. No, no. You know, I understand what you're saying. There has been a lot of conversations.

Senator KERRY. Well, tell us about the Medellin cartel? Is it serious?

Mr. VOGEL. Sir, it's probably one of the most insidious organizations. Use of drugs to garner money and power—they are actually formulating policy in their own countries and countries that they affect. It's broadened from Colombia, Peru and Bolivia. It's now in Brazil.

Senator KERRY. I want you to go slowly. I don't want to gloss over this. Tell me the countries? What's happening?

Mr. VOGEL. As the government knows and it's well known, that cocaine production was in Bolivia and Peru in the early days, the growth of the leaf and the manufacturing the paste, taken to Colombia to be refined.

The plant is actually now being grown in extensive areas of Brazil. Brazil is going to—you're going to see, Brazil will be the paste producer of the future. It's grown in Ecuador, it's grown in Central America now.

I don't know if it will be introduced into Mexico, but I see no reason why not. There's probably a problem with the climate.

Senator KERRY. You say it's one of the most insidious organizations. Why?

Mr. VOGEL. Sir, as you are well aware of, the numbers are phenomenal in the money, the money end of it. There are billions and billions of dollars. The Medellin cartel has taken over all major industries in South America, Central America.

They have taken over the land for production of food stuffs and turned it into production of coca, which has absolutely no value except for making the cocaine. They have introduced the peasants, taken them from their normal lifestyles and are paying them *x* amount of dollars, way beyond their normal range.

It's going to be hard to reintroduce these people to grow foodstuffs that their countries need.

The cartel—I think it's not only the cartel, the people in that specific business, but through their greed they will infiltrate and they have infiltrated agencies, not only in this country but other countries. The money is there, their growth is there, and they will keep on growing.

It's a monster that will grow and grow and grow. There is no stopping to it.

Senator D'AMATO. Would it be fair to say that what they are doing is making economically dependent upon the drug industry the peoples of these various countries, starting with the peasants?

Mr. VOGEL. Yes, sir.

Senator D'AMATO. And then buying themselves right through?

Mr. VOGEL. Very much so, sir, very much so. And when you have a whole general population of a country that says, "We're not going to quit"——

Senator D'AMATO. Well, the peasants are supportive of it, because you take a farmer who heretofore grew maybe 1,000 dollars' worth of economic base in agricultural products. He now is paid 10, 20 times that amount.

Mr. VOGEL. Exactly.

Senator D'AMATO. For growing coca.

Mr. VOGEL. Yes, sir.

Senator D'AMATO. He becomes supportive, part and parcel. And so the corrupting out process—plus they become more economically dependent upon these drug dollars.

Mr. VOGEL. You know, it is not a situation where it is from the top down. It's from the bottom up. That's why I say that it seems to me defeating it is an impossibility. How do you take an individual and say, "I want you to go back to making $20 a month"?

Senator D'AMATO. Unless we make the value of it worthless by cutting down and reducing and eliminating the demand, particularly in this country where the big dollars come from.

Mr. VOGEL. Exactly, sir. The Medellin cartel is moving, and you've seen through interdiction efforts of Interpol and Scotland Yard, they are moving into Europe. They are moving into Europe in a big way, and that'll be the next front, will be the European battle.

Senator D'AMATO. In terms of the sales?

Mr. VOGEL. The sales, yes, sir, as it becomes more difficult to introduce into the United States.

One of the routes will be—because eventually we will say anything from South America will be searched, anything, any vessel, vehicle will be searched. So, the vehicle will go to Europe, drop off some of the product in Europe, and through their corporate structures——

Senator D'AMATO. That goes back to the French Connection. It was interdicted at one point, when you had Turkey to France, and that was the French Connection and that was broken.

Mr. VOGEL. Yes, sir.

Senator KERRY. What you're really saying is that, unless there is an international concerted all-out level of effort on this, in which countries really care and join together, that it's always going to be something that finds an outlet. It has an ability to flow wherever that interdiction isn't.

Mr. VOGEL. Yes, sir.

Senator Kerry, as you well know, in 1980, 1981, the cost of cocaine was $40,000 to $60,000 a kilo. Now on the streets of America it's $10,000 a kilo. It's growing. It hasn't diminished.

Through all the billions of dollars this Government has spent on interdiction and prosecution, it has grown. It hasn't diminished.

The cartel—when I gave you the cost of $4,000 for transport, you have to remember their probable cost of production is about $1,500 a kilo. That's $5,600 a kilo. They are making—or they used to make $30,000, $40,000—or where they used to make $7,000 to $10,000 to $15,000 per kilo of cocaine, they're only making $4,000.

And their coffers keep on filling. They are not running dry.

Senator D'AMATO. $4,000 a kilo is?

Mr. VOGEL. That I estimate. Their cost of production is about $1,500 a unit, manufacturing production down there. And they're paying $3,000 to $4,000, in some cases I have heard up to $5,000.

Senator D'AMATO. That accounts for this huge increase in volume. The production goes up and it's driving the cost—the cost continues to come down.

Mr. VOGEL. Obviously, if their cost—if their profits diminish, they obviously have to increase the volume to maintain. You know, it's a standard theory.

Senator KERRY. Can I come back for a minute to the Medellin cartel.

Mr. VOGEL. Yes, sir.

Senator KERRY. You described that they own industries. Is it fair to say that these aren't just clandestine drug smugglers? These are people who have sophisticated economic advisors, accountants, lawyers, and so forth handling billions of dollars of assets?

Mr. VOGEL. Yes, sir.

Senator KERRY. And they have bought newspapers?

Mr. VOGEL. Yes, sir.

Senator KERRY. They've bought radio stations?

Mr. VOGEL. Yes, sir. I worked with someone in the marijuana business that owned radio stations in Colombia.

Senator KERRY. And they obviously have bought politicians.

Mr. VOGEL. Obviously.

Senator KERRY. Customs officials, law enforcement officials?

Mr. VOGEL. Correct, correct.

Senator KERRY. So, the power is growing in a way that our enforcement efforts obviously have been outstripped on a geometric proportional basis.

Mr. VOGEL. Yes, sir. And it's not only our forces. What you were leading to before of a new policy, I have looked at, and I am referring specifically to the Palmer and other episodes like the Palmer incident. The bottom line is, sir, two wrongs don't make a right.

You have to set policy and say, we can't do this, we can never do this. You can't say sometimes we can do this and we can be involved in this.

Senator KERRY. What are you saying with respect to Palmer? Be more precise?

Mr. VOGEL. You can't use drug smugglers, using them in other capacities by this Government.

Senator KERRY. Well, be precise.

Mr. VOGEL. Specifically, from the media buildup, specifically on Palmer, running aid to the Contras, sir. You can't justify one for the other.

Michael Palmer was dropped from my indictment.

Senator KERRY. Michael Palmer was indicted at the same time you were, correct?

Mr. VOGEL. Yes, sir. Yes, sir.

Senator KERRY. And yet, Michael Palmer was not prosecuted as you were?

Mr. VOGEL. Correct.

Senator KERRY. You're doing 12½ years.

Mr. VOGEL. Right.

Senator KERRY. But Michael Palmer is not doing it for that period of time.

Mr. VOGEL. And sir, it's not sour grapes that I'm speaking toward. I was angry in the beginning. I'm not angry any more. I'm just leaving it alone.

It is unusual, it's strange, that the U.S. Government—I wish they had offered me the opportunity.

Senator KERRY. To help the Contras?

Mr. VOGEL. To bring in a load of marijuana.

Senator KERRY. Let me just say for the record, for those who are not aware of the specifics here, Michael Palmer had a formal contract with the State Department for the delivery of assistance to the Contras through the Nicaraguan Humanitarian Assistance Organization.

And we will be examining aspects of that at a later time.

Let me try to close off a few detailed questions which are important to us. How did Mr. Palmer handle the registration of aircraft? Would he reregister and change the registrations?

Mr. VOGEL. Continually, yes, sir.

Senator KERRY. How would he do that?

Mr. VOGEL. He had mentioned to me once, there is a company in Oklahoma that you can use to reregister aircraft.

Senator KERRY. Would that involve changing the markings on the aircraft?

Mr. VOGEL. I believe so, sir.

Senator KERRY. But it would change the registration number and the company?

Mr. VOGEL. Yes.

Senator KERRY. Was Mr. Palmer ever arrested on drug charges in Colombia?

Mr. VOGEL. Yes, he was, sir, in 1985.

Senator KERRY. And what happened to that?

Mr. VOGEL. He was subsequently released. My efforts were through Leigh Rich and Julio Nasser David down there——

Senator KERRY. Well, let me understand. Let's go slower for a second.

Mr. Palmer was captured on the ground in Colombia with marijuana, is that not true?

Mr. VOGEL. Yes, sir.

Senator KERRY. And that was in 1985?

Mr. VOGEL. Yes, sir, it was.

Senator KERRY. You learned of that?

Mr. VOGEL. Yes, sir. Mr. Palmer was flying down to make the final payment on the DC-6 load that we had done in 1984. He was also taking money down for a load. There was no reason for him going down and coming back empty. So, I was waiting for him up here to unload him when he got back.

He never showed up. I called Colombia and a Colombian down there told me: "The wild animals got the bird." And I later found out he was shot up. He told me he was in intensive care, which I later found out he was in the Val de Par Prison.

I spoke with Michael a few times on the phone down to the prison, and I spoke with a messenger he had running back and forth between us. And he required certain things done, but the main thing that he wanted that he would get himself out of there.

It was important for his cover, it was important for his lifestyle, that he walk away from this through the legitimate process down there. Legitimate process was—I had cleaned out Michael's apartment and removed a substantial amount of cash and records.

Senator KERRY. How much cash?

Mr. VOGEL. It was $4.8 million.

Senator KERRY. $4.8 million?

Mr. VOGEL. Yes, sir.

Senator KERRY. Right out of his apartment?

Mr. VOGEL. Yes, sir.

And I had—I had walked away from the barge prior to that. My cash reserve was very low. I used Michael's money to send down through an intermediary that they had given to me. It was Ruth; I don't know her last name. She was in the money exchange business.

And we sent down about $375,000 to bribe officials down there. From what I understand, at the tail end of it Michael was able to secure his freedom through Toliver, through another independent source.

If Michael hadn't——

Senator KERRY. Now, let me just. Slow down. Did you speak to Michael Palmer in Colombia at the time?

Mr. VOGEL. Yes, I did, sir.

Senator KERRY. Now, you say through Toliver.

Can you explain that?

Mr. VOGEL. There was a General Toliver who was head of the military out of Bogota then. Michael's sister had a contact that was close to that situation, and she went and pleaded Michael's case, and the General was able to, according to Michael, obtain his release.

Senator KERRY. So, the payoffs were made, Michael was released.

Mr. VOGEL. Yes, sir.

Senator KERRY. And he came back.

After he got out of jail in Colombia, did he tell you that he was going to go legit?

Mr. VOGEL. I don't think we ever had a discussion about going legit. He had obviously had his problems. He said that he was involved in a—he had an air charter company, and that he was going to work.

There was no discussion of us working again.

Senator KERRY. Together.

Mr. VOGEL. Right.

Senator KERRY. OK. But you were starting to have some problems with Palmer at that point anyway; is that accurate?

Mr. VOGEL. Yes, I was, sir, yes, I was.

Senator KERRY. Now, how much money would you estimate, or do you know Mr. Palmer made over the 48 trips and the 2 DC-6 trips that you are aware of?

Mr. VOGEL. Specifically, just with me, I figured that Michael probably made $200,000 a trip, which would bring it into the $9 million range. On the DC-6's he made $1.2 and $1.4 million, so that is roughly around $12 million.

Prior to that he had worked, as I said, with Jerry Carroll.

Senator KERRY. Did you and Mr. Palmer ever own any property together?

Mr. VOGEL. Yes, we owned a condominium in the Cayman Islands.

Senator KERRY. Did Mr. Palmer decide to get rid of that property at some time?

Mr. VOGEL. Yes, after he came back from Colombia, and I know now, he was trying to divorce himself from me totally. He wanted to give me the condominium, no money, nothing, just you take it, Michael, and what Mike was doing at that time was running around to the DEA and FBI and trying to arrange some sort of a deal because he found out the heat was on him and there were major indictments coming down.

Senator KERRY. Did Mr. Palmer ever tell you that he had Government contacts over the years while he was trafficking in drugs?

Mr. VOGEL. Specifically, it was the Customs agency, the Customs agent Michael told me—he later denied this, but he told me that he, this man could go into the NORAD computer and the El Paso, TX computer and find out the information on myself and others to see if we had anybody looking at us, explained to me the process that the man could only enter the computer twice because if he entered it a third time, he had to sign in at that point, explained the formulation to me. The other law enforcement, Michael alluded but never specifically stated.

Senator KERRY. Did Palmer ever sell you information from Customs?

Mr. VOGEL. No, sir, it was never sold. We used it. We just had the information. I never paid him directly for, I never paid him directly for the information. The information that I believe I have stated it was the large barge where he gave us, not only gave me the amount on the barge and told me how that Customs was onto it and they were following it with AWACS and the rest, was enough for me to walk away from this.

Sir, Michael when I met him recently, explained to me that he had fed me the information, I regurgitated it back to him. There was another individual at the meeting when Michael told me about the barge, about Customs, and how all this information was garnered and how it was delivered to me.

There is no doubt in my mind that we had information from the U.S. Customs.

Senator KERRY. Now, at some time with the barge episode that you—there was a barge episode; right?

Mr. VOGEL. Yes, sir.

Senator KERRY. And Palmer warned you about Customs at that point in time?

Mr. VOGEL. Yes, warned me that Customs was onto it, yes, sir.

Senator KERRY. Customs was not able to in fact intercept that particular barge because they switched the color of the rope towing the barge.

Mr. VOGEL. Yes, sir.

Senator KERRY. That they were expecting to identify it?

Mr. VOGEL. Exactly.

Senator KERRY. And the rope was switched from red to blue.

Mr. VOGEL. Exactly.

Senator KERRY. Were you also involved in changing the configuration of both barges or boats, you would put a fake pilot house on them and paint them?

Mr. VOGEL. Sir, well, they have a pilot house, and what we did—when anything is being looked at by the air, they have a profile, and actually, I believe they had a photograph of this one because Customs actually was involved in the transfer of the barge early on. Customs was very much aware of this whole adventure; it's just that they lost it.

What we would do is we would take plywood and make up an extension on the pilot house, the wheel house, and change the configurations.

Senator KERRY. So that when somebody would fly over it, they couldn't identify it because it looked different from the picture they had been given .

Mr. VOGEL. Correct, correct. And we are not talking about an individual barge being out there. There is huge barge traffic between South America and the United States in asphalt alone.

Senator KERRY. Now, with respect to that, at that point in time, didn't Palmer tell you that he had other kinds of Government connections?

Mr. VOGEL. Sir, he talked specifically about the Customs. We had a discussion one time that if some things, if the problems had erupted that he foresaw and there were major problems, that these problems could be taken care of. He did not refer to the actual Government agencies.

Senator **Kerry**. He didn't refer to them by name, but didn't he tell you that he worked for two other Government agencies?

Mr. **Vogel**. He mentioned that there was work done.

Senator **Kerry**. Work done for two other Government agencies.

Mr. **Vogel**. I am trying to clarify. I am trying to be very honest with you.

Senator **Kerry**. Well, I want you to be. I want to be very precise about it.

Mr. **Vogel**. Yes, very precise. Michael alluded to work. He didn't specifically say I work for this, I work for that.

Senator **Kerry**. Did he tell you, however, specifically that if things fell apart, he could take care of it for you?

Mr. **Vogel**. Yes, or take care of anybody—he alluded, he threatened me one time. He said, "If you end up in prison and talking on us, things can happen to you in prison. It is not the normal people you are dealing with. You are dealing with Government."

Senator **Kerry**. He said that to you.

Mr. **Vogel**. Yes, sir. But sir, you know, I have to—there's a lot of things said sometimes.

Senator **Kerry**. I understand, I understand. I'm just trying to understand what was said.

Now, how did your indictment come about finally?

Mr. **Vogel**. I was indicted in March 1986. It came about through—I was being investigated by an agent, Ned Timmons, who had information from the streets that there was someone existed like me. That individual that he targeted was, we used a voice stress guy, and this guy, anybody that worked for us had to be voice stressed. It is not that the caliber of the machine was any good, it's just that if you are willing to go through this procedure of answering and being asked questions about if you had ever worked for law enforcement, that you probably were not trying to infiltrate us. I don't think an agent would take the chance that the machine would actually work.

This individual, after working with us for a number of years, went ahead and worked for another organization, they got caught. They were trying to import cocaine. They didn't want to do their time, so they told a story about Mike Vogel and Leigh Rich. And that's how my indictment came about.

Senator **Kerry**. And as you said earlier, Mr. Palmer was indicted at exactly the same time.

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. As part of the same criminal conspiracy.

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. For the same crime.

Mr. **Vogel**. Exactly the same crime.

Senator **Kerry**. Now, do you know of any other people who have gotten the same kind of kid glove treatment that Mr. Palmer received?

Mr. **Vogel**. I haven't seen anybody from Palmer's side of the operation indicted. As a matter of fact, as I understand the law, I understand the 848 very well. I do not know if RICO is a 10-year or a 5-year statute, but most of the—if it is all 5-year statutes, we are now in 1988, so anything through 1983 at this time is already let go.

There are people from the Palmer organization that have been let go.

Senator **Kerry**. Now, a few final questions before we wrap up here for lunch.

I have characterized the nature of this problem as a real national security threat, perhaps more serious than some others we have been paying a lot of attention to in the region.

Is that from your assessment on the inside; is that accurate? Is that hyperbole on my part?

Mr. **Vogel**. It's accurate, sir, but you have to identify the monster itself. If you look at it statistically, is the usage of drugs going up or is it really going down? I don't know those statistics, and I don't know if they are very valid.

I see everybody in prison for cocaine smuggling and marijuana smuggling, mostly cocaine. I think that it is a problem and become more of a problem, and I think that cocaine—I don't think you are going to be able to stop the traffic, sir, I truly don't. Once it moves to Mexico and our 4,000 miles of border out there, it is just going to flow across and flow across.

Senator **Kerry**. Well, I do not think anybody is trying to assert that you can stop the traffic. I certainly do not think so. Interdiction is worth only so much of a percentage of reduction.

Mr. **Vogel**. Exactly.

Senator **Kerry**. But if it is coupled with significant bank laws, significant disclosure, and enforcement powers with respect to the transfer of money, crop eradication, education, and enforcement efforts in this country, I mean, if that were really a concerted effort, would that not crimp your ability as a smuggler?

Mr. **Vogel**. Of course, of course, sir. I think——

Senator **Kerry**. Would that have an impact on the flow?

Mr. **Vogel**. It would have an impact on the flow, obviously, through the efforts. It would raise the price of the drug. It would take it out of the hands of the kids that can afford $25 or $30 for a gram of cocaine now.

Yes, that would. It would not be as available.

I think education now, sir, is the key. You have to stop the user, not the producer, and the millions upon billions of dollars that have used for interdiction, I guess we have built up a great border patrol, you know, a great Coast Guard through it, but they haven't stopped anything.

If you had taken the money and it had gone into the communities for drug education—and I'm not talking the scare education, you know, you see the commercials where the brain is frying. You take a child and you say no to him, you can't do this without explaining to him why, he's going to go ahead and try it. You know, I think that is no mystery.

I think education from the kindergarten age on, and sir, as I discussed with Mr. Blum one time, the effective thing that I saw was when Mercury Morris, after he was caught and he was going and speaking towards this, I think it impressed a lot of kids. When they see someone that they respect, whether they are notorious or infamous or they respect for their professional athletic ability, and these people enter the communities and these people talk to these children, and sir, if there are programs.

Cocaine is addictive. People say it isn't, but you try and tell someone—I have had people work for me where I had to lock them away, actually lock them away. These people, there has to be programs for the people that want to quit and to walk away from it.

Senator **Kerry**. If this hemisphere were shut down to the transfer of cash—I mean, we are talking, you yourself have said it. These are heavy amounts of cash. Mr. Rodriguez used to box it. It is flown on pallets in aircraft; is it not?

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. It is flown in small, private aircraft.

Mr. **Vogel**. Yes, sir.

Senator **Kerry**. If you shut down the ability of that cash to move between the banking system of this hemisphere, have you not put a very serious restriction on it?

Mr. **Vogel**. Of course, sir, of course you have.

Senator **Kerry**. You have, have you not, because in effect, the small airplanes cannot fly across the Atlantic.

Mr. **Vogel**. Correct.

Senator **Kerry**. Or the Pacific.

Mr. **Vogel**. Correct.

Senator **Kerry**. And you begin to reduce your tracking——

Mr. **Vogel**. Exactly.

Senator **Kerry**. The scope of your tracking.

Mr. **Vogel**. Exactly, and it has to be in this hemisphere. It can't be the United States alone. It has to be Canada, it has to be the Bahamas, it has to be all the other islands. It has to be a major effort because as soon as—and you have—I imagine that you will have to have stringent rules that industry that is fronting for, whether it is major industry, whether it is General Motors or it is the local Dairy Queen, that there has to be a way to watchdog that because those places, once you cut off one area, it will go to the other area.

Senator **Kerry**. Well, I want to thank you very much for your testimony. It has been helpful, informative, I think thorough, and from my perspective, I think you have spoken with great candor. So, I do want to thank you for being here.

I know you are going to be available to us over the course of the next couple of days.

We will recess now for lunch and reconvene at 2 o'clock.

Thank you.

[Whereupon, at 1 p.m., the subcommittee recessed, to reconvene at 2:05 p.m., this same day.]

AFTERNOON SESSION

Senator **Kerry**. The hearing will come to order.

The witness for this period is Mr. Osvaldo Quintana.

Mr. Quintana, I would ask you, please, sir, if you would rise so I may swear you in.

Would you raise your right hand, please.

Do you promise to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. **Quintana**. I do.

Senator **Kerry**. Would you identify yourself for the record, please?

STATEMENT OF OSVALDO QUINTANA, OCEAN INTERNATIONAL SEAFOOD, MIAMI, FL; ACCOMPANIED BY CHARLES ROBERTS, INTERPRETER

Mr. **Quintana**. My name is Osvaldo Quintana.

Senator **Kerry**. Mr. Quintana, I am going to ask you now to move the mike a little closer, if you would speak right into the microphone slowly and clearly, that would be helpful to us.

Would the gentleman beside you please identify himself?

Mr. **Roberts**. Yes, my name is Charles Roberts, and I have been hired by the committee as interpreter for the witness, should he decide to speak in Spanish, I will interpret it into English.

Senator **Kerry**. Thank you very much.

And who are you employed by?

Mr. **Roberts**. By your committee.

Senator **Kerry**. No, no, no, but normally.

Mr. **Roberts**. Freelance.

Senator **Kerry**. Thank you.

Mr. Quintana, would you state your full name?

Mr. **Quintana**. Osvaldo Quintana.

Senator **Kerry**. Where do you reside?

Mr. **Quintana**. I reside in the State of Florida right now.

Senator **Kerry**. How long have you been living there?

Mr. **Quintana**. For the past 14 years.

Senator **Kerry**. Where were you born?

Mr. **Quintana**. I was born in Havana, Cuba.

Senator **Kerry**. And what year were you born?

Mr. **Quintana**. I was born in 1952.

Senator **Kerry**. And at what point did you come to the United States?

Mr. **Quintana**. I came down to the United States in 1967.

Senator **Kerry**. And did you move immediately to the Miami area?

Mr. **Quintana**. I was, I arrived in Miami in 1967, and 2 years later went to the State of New Jersey.

Senator **Kerry**. What were you doing in New York.

Mr. **Quintana**. New York, I went to school there.

Senator **Kerry**. What school did you attend?

Mr. **Quintana**. I went to the Hackensack High School and William Patterson State College.

Senator **Kerry**. Where are they located?

Mr. **Quintana**. They are located in Heldon, NJ.

Senator **Kerry**. And after you completed your education, did you then start to work?

Mr. **Quintana**. Yes, sir, I did.

Senator **Kerry**. What kind of jobs have you held?

Mr. **Quintana**. I was the manager for STP Corp. and right after that went to work for Dannon Corp.

Senator **Kerry**. How long did you work with STP Corp.?

Mr. **Quintana**. I worked 2 years for them

Senator **Kerry**. Where was that?

Mr. QUINTANA. They are based in Chicago. I was division manager in the State of Florida.

Senator KERRY. Then what did you do?

Mr. QUINTANA. Then from STP Corp. I went to work for Dannon Corp. They are based in Gastonia, NC, and I worked for them for 5 years.

Senator KERRY. What did you do for them?

Mr. QUINTANA. I was the regional manager for the State of Florida.

Senator KERRY. At some time did you personally go into the seafood business?

Mr. QUINTANA. Yes, I did.

Senator KERRY. And when was that?

Mr. QUINTANA. That was in 1982.

Senator KERRY. 1982?

Mr. QUINTANA. Yes, sir.

Senator KERRY. What business is your father in?

Mr. QUINTANA. My father is in the real estate business.

Senator KERRY. Now, would you describe the nature of the seafood business that you went into?

Mr. QUINTANA. Yes. I got a warehouse in Miami with a freezer and with all the equipment for the seafood, you know, to be able to import and sell seafood locally and out of State from Miami.

Senator KERRY. So, you were selling seafood locally and out of State.

Mr. QUINTANA. Yes, sir, I did.

Senator KERRY. Were you a distributor of seafood?

Mr. QUINTANA. Yes, sir.

Senator KERRY. People would bring the seafood to you.

Would you process it, or did you buy it processed?

Mr. QUINTANA. No, sir, I had a partnership with a company in Ecuador. And I was bringing in my food already processing in 40-foot containers to Miami.

Senator KERRY. Let me ask you now, so people can understand what you are saying, just to try to speak slowly and as clearly as you can so everybody can follow you, because I know it is sometimes hard with the distortion in the microphone.

So, you had a partnership in the seafood.

Mr. QUINTANA. Yes, sir, I did.

Senator KERRY. How long did this last?

Mr. QUINTANA. Five years.

Senator KERRY. How many employees worked for you?

Mr. QUINTANA. Six.

Senator KERRY. And can you give us an estimate of the volume of business you were doing in 1982 and on?

Mr. QUINTANA. The last year we did about $2½ million.

Senator KERRY. What was the name of this company?

Mr. QUINTANA. Ocean International Seafood.

Senator KERRY. Ocean International Seafood.

Can you tell us how the business worked?

Mr. QUINTANA. My company, I was the president of the company. I was traveling in Latin American to the producing countries and buying seafood from them and bringing it down to Miami.

Senator KERRY. What were the producer countries?

Mr. QUINTANA. The producer countries were Brazil, Colombia, Venezuala, Ecuador, Peru, Chile, and Panama.

Senator KERRY. Did you travel to all those countries?

Mr. QUINTANA. Yes, I did, sir.

Senator KERRY. And did you buy frozen seafood in those countries?

Mr. QUINTANA. Yes, I did.

Senator KERRY. And you shipped that seafood back to Miami.

Mr. QUINTANA. Yes, I did.

Senator KERRY. Can you describe the customers that you serviced?

Mr. QUINTANA. The customers that we served, we have Kitchen of the Ocean, Manny's Seafood, Peter Seafood, Empire Seafood, Pan-American Seafood in New York, Red Lobster——

Senator KERRY. OK, we are losing you on this again.

If you can try just again to articulate it carefully.

What were the names of the companies again?

Mr. QUINTANA. Peter Seafood, Empire Seafood, Empire Seafood, Pan-American Seafood in New York, Harry Bell's in Tampa, Red Lobster in——

Senator KERRY. So, these are all, these are major distributors.

Mr. QUINTANA. Yes, sir.

Senator KERRY. Major companies.

Mr. QUINTANA. Yes, sir.

Senator KERRY. And why, is the seafood business known—well, let me strike that.

Did you also service hotels and restaurants?

Mr. QUINTANA. No, sir, no, I never did.

Senator KERRY. Just these distributor companies.

Mr. QUINTANA. I was only serving wholesale companies.

Senator KERRY. This was a good business.

Mr. QUINTANA. Excellent.

Senator KERRY. You did very well in it.

Mr. QUINTANA. Sure did.

Senator KERRY. Now, is the seafood business in Miami also known as a business to launder money?

Mr. QUINTANA. Yes, sir.

Senator KERRY. You weren't involved in that, though, were you.

Mr. QUINTANA. No, I was not involved in that.

Senator KERRY. But you did know that the seafood business was known for this.

Mr. QUINTANA. Yes, sir, I did.

Senator KERRY. How did you know that?

Mr. QUINTANA. From different people who told me, and different people who approached me in my travels to Latin America.

Senator KERRY. Well, describe that. What kind of approaches were made to you?

Mr. QUINTANA. The approach that was made to me, as you know, the seafood business is a very high volume business. Just to give you a little explanation about it, 100,000 pounds of shrimp costs an average——

Senator KERRY. I need you to talk—I know your instinct is going to be to talk very fast, but I am going to have trouble understanding, and I want to try to do this in English if we can.

Mr. **Quintana**. I was approached by the people in Latin America, a couple of guys. As you know, the seafood business is a very high-volume business. Just to give an example, the average price for a pound of shrimp is around $5, so when you are doing, you know, 200,000, 300,000 pounds a month, you have got to come up with a considerable, large amount of money.

Senator **Kerry**. So, there is a great deal of cash. It is a cash business.

Mr. **Quintana**. Yes, sir. The reason it is a great deal of cash is because those countries who produce shrimp require to be paid in cash.

Senator **Kerry**. So, as a cash operation, it becomes an easy launder target; is that right?

Mr. **Quintana**. That's right, sir.

Senator **Kerry**. And you were approached for laundering purposes.

Mr. **Quintana**. Yes, sir.

Senator **Kerry**. But you didn't involve yourself.

Mr. **Quintana**. I never got involved in that.

Senator **Kerry**. Now, how does cash get concealed in that seafood operation?

Mr. **Quintana**. It is very simple. What they do is they will ship you the merchandise from these countries on a credit basis with the invoice saying that you are paying the merchandise 30 days later. The merchandise will come to the United States. Right away you can sell your merchandise for cash or for a check to any respectable company here. They will pay you. Right away you have got an invoice saying that you owe the money to that country or to that supplier, so you transfer that money to that country through the bank. You have got an invoice already coming from them, so you have paid the account. That money later was brought back to the United States, declared in U.S. Customs office in Miami——

Senator **Kerry**. And it is declared as shrimp money.

Mr. **Quintana**. It was declared like earning money. It is my understanding it is not required to justify any money you earn out of the country, especially for the people coming out of the country that are not U.S. citizens. They can bring any amount of cash saying, you know, they sold their own houses or business and they want to invest the money in the United States.

Senator **Kerry**. Did you know of any specific companies in Miami that used, that were involved in money laundering that were seafood companies?

Mr. **Quintana**. I have no proof. I have no proof, sir.

Senator **Kerry**. No proof, but you heard of certain companies?

Mr. **Quintana**. Yes, sir.

Senator **Kerry**. OK. And you knew which companies you thought were doing that.

Mr. **Quintana**. Yes.

Senator **Kerry**. Based on information you learned talking to people.

Mr. **Quintana**. Yes, sir.

Senator **Kerry**. OK.

Do you also know whether or not cocaine was smuggled in frozen shrimp?

Mr. QUINTANA. Yes, I did.

Senator KERRY. How would that be done?

Mr. QUINTANA. Well, what they would do is they would buy a company in the producers' countries, and they pack the cocaine inside the frozen food. You have to realize, a container, a 40-foot container would have 900 cases of shrimp. Each case would have 10 small boxes of shrimp inside. So, you multiply 900 by 10, you have 9,000 boxes of shrimp, and probably out of the 9,000 boxes, 500 would come in with a kilo of cocaine.

Senator KERRY. They would be packed inside the other boxes.

Mr. QUINTANA. They would be packed right inside in the middle of the box.

Senator KERRY. And what period, do you know when this kind of smuggling was going on?

Mr. QUINTANA. Well, you know, the only time that I know was when U.S. Customs in Miami, you know, confiscated shipments.

Senator KERRY. When was that?

Mr. QUINTANA. I believe they got a couple of shipments, one from Ecuador, in 1984, and another one in 1987 or 1986.

Senator KERRY. But you knew prior to 1985 and 1986, you knew this was going on.

Mr. QUINTANA. Well, you know, it is well spoken in those countries, you know, how to do it. You know, they would use anything they could. They would use flowers, seafood, anything they could.

Senator KERRY. Now, before you came to have some contact with an event in Haiti, did you help Customs with a major hijacking case?

Mr. QUINTANA. Yes, I did.

Senator KERRY. Can you describe that?

Mr. QUINTANA. It was a hijacking case in Miami on the seafood. They were stealing shrimp, lobster tails, and apparently the FBI and the U.S. Customs in Miami——

Senator KERRY. Let me just stop there, people were stealing lobster tails.

Mr. QUINTANA. Yes, sir.

Senator KERRY. And shrimp.

Mr. QUINTANA. And shrimp, due to the volume, the high volume of those merchandise. I was approached by a U.S. Customs friend of mine, personal friend of mine, and saying they could not have anybody who can help them, and——

Senator KERRY. And he asked you to help them.

Mr. QUINTANA. Yes.

You had a reputation as an honest businessman; did you not?

Mr. QUINTANA. I sure did.

Senator KERRY. You had never been arrested?

Mr. QUINTANA. Never in my life.

Senator KERRY. No criminal record to speak of.

Mr. QUINTANA. None at all, no, sir.

Senator KERRY. And then at some point in time did something take place?

Mr. QUINTANA. Yes.

Senator KERRY. With respect to Haiti.

Mr. QUINTANA. Yes.

Senator KERRY. When was that?

Mr. QUINTANA. That was in August 1986.

Senator KERRY. 1986.

Can you describe to us what happened?

Mr. QUINTANA. I was introduced in Miami by one of my family members, this woman whose name was Marel Delanoir.

Senator KERRY. Who is Marel Delanoir?

Mr. QUINTANA. Marel Delanoir in that time was like the wife of the very high ranking military guy in Haiti.

Senator KERRY. And what is the name of that high ranking military guy?

Mr. QUINTANA. Jean Claude Paul.

Senator KERRY. Jean Claude Paul.

Mr. QUINTANA. Yes, sir.

Senator KERRY. Was she at that time married to him or divorced?

Mr. QUINTANA. In that time, she claimed, she told me that she was married to him.

Senator KERRY. And you had occasion to have a meeting with her.

Mr. QUINTANA. Yes, I did.

Senator KERRY. What was the purpose of that meeting?

Mr. QUINTANA. The meeting originally was that she wanted to invest some kind of money that she have in some kind of business in Miami, and saying she came to this family member, you know, she told me she could invest in some kind of seafood since she knows it was a high, a good business to get into. She also tell me, you know, in Haiti they had a couple of factories who produced shrimp, fish, and lobster tails, that she probably can be bought from these people to bring back to the United States.

Senator KERRY. How did you respond to her offer?

Mr. QUINTANA. I was very interested.

Senator KERRY. Why were you interested?

Mr. QUINTANA. Well, because as you know, this is a very high demand of seafood in this country, and just to give an idea, you know, this country consumes 4 million pounds of shrimp a day. So, you know, I was very interested.

Senator KERRY. It meant good business to you.

Mr. QUINTANA. Excellent.

Senator KERRY. So, did she invite you to visit Haiti?

Mr. QUINTANA. She did.

Senator KERRY. And that invitation was issued in 1986.

Mr. QUINTANA. It was in 1986.

Senator KERRY. What month?

Mr. QUINTANA. This happened around the middle of September.

Senator KERRY. You accepted her offer to go to Haiti.

Mr. QUINTANA. Yes, I did.

Senator KERRY. And in fact, did you go to Haiti?

Mr. QUINTANA. Yes, I did.

Senator KERRY. When did you go to Haiti?

Mr. QUINTANA. I went to Haiti right in the end of September 1986.

Senator KERRY. Who accompanied you on that trip?

Mr. QUINTANA. It was a friend of mine named Tony, Marel Delanoir and her son.

Senator KERRY. Did you fly commercially to Haiti?

Mr. QUINTANA. Yes, I did.

Senator KERRY. OK. Did you know at that time who Col. Jean Claude Paul was?

Mr. QUINTANA. No, sir, not at all.

Senator KERRY. So, would you describe for us what took place when you arrived in Haiti?

Mr. QUINTANA. Yes, sir. As soon as we arrived in Haiti, Marel went right in the front——

Senator KERRY. Now, go slow now, be clear.

Mr. QUINTANA. Yes. Ms. Delanoir just went ahead in front, and there was two soldiers waiting for her right in the stairs, by the airplane. They helped her with a couple of bags that she has, and also her son was following here, he started running to the group of people who was sitting in the airport, right about a half a block away from the plane.

Me and my friend was walking right, follow her, to that group of people. That group of people was about 12 people all dressed in military clothes. So, as soon as we are getting close to this group of people, we was told by the soldiers behind Mrs. Delanoir to stay a little bit behind, how she went close to this person, this guy who, you know, she started talking to him, he giving the keys to his son, and they start talking in Creole.

It took about a couple of minutes, you know. This person approached us, and he was introduced to us like Marel Delanoir's husband, Jean Claude Paul.

Senator KERRY. So, that is when you first met Jean Claude Paul.

Mr. QUINTANA. Yes.

Senator KERRY. At the airport.

Mr. QUINTANA. Yes.

Senator KERRY. Now, during this visit, were you offered a chance to purchase seafood?

Mr. QUINTANA. Yes, sir.

Senator KERRY. And were you offered that seafood below the market price?

Mr. QUINTANA. Yes.

Senator KERRY. Do you know why you were offered it below the market price?

Mr. QUINTANA. Not really, sir. We went to the place and he told us that he can get all the seafood he could.

Senator KERRY. Well, describe for me how this offer came about. You were in the company of Jean Claude Paul?

Mr. QUINTANA. Yes.

Senator KERRY. OK. Well, what did you learn about Jean Claude Paul as you traveled with him on that trip?

Mr. QUINTANA. Well, the first thing we learned was that we assumed we was going to go through the immigration line in Haiti.

Senator KERRY. Wait, I did not understand you there at all.

Mr. QUINTANA. Yes. The first thing we learned about him was, the first thing we did when we got to Haiti was trying to go to the immigration line to have our passports, you know, stamped. Jean Claude Paul took away our passports and go over, you know, and went around, called a guy who was in the immigration department, gave him the passports, and the passports was stamped right there, no questions asked.

From there we went right to the customs department, and all the customs, as we walked in, salute Jean Claude Paul. I put my handbag on the table to be opened to be checked. As soon as they saw me with Jean Claude Paul, it was not necessary. I went right through customs with no check at all.

From there, there was a full escort military outside. They was driving two Toyota Land Cruisers, a green Mercedes-Benz, two motorcycles with plainclothes guards, and there was another Isuzu right behind that was driven by Antonio Paul, his brother.

From there we started. I was sitting in the back with the partner that I went to Haiti with, and two military soldiers driving in the front. Jean Claude Paul and Marel was sitting in the front in the Mercedes-Benz.

Senator KERRY. As far as you were concerned, you were there to try to arrange for a shrimp deal.

Mr. QUINTANA. Yes, sir.

Senator KERRY. Were you surprised at this point to be in the company of Col. Jean Claude Paul?

Mr. QUINTANA. Well, at the first I was very surprised, and even we thought for a minute that he was not a colonel, he was a general, and in fact, we used to call him general, because we didn't know what grade of the military he had, but by the way he, you know, his uniform was, we thought he was a general.

Senator KERRY. Were there any other—what other indications can you share with us about Col. Jean Claude Paul's power?

Mr. QUINTANA. Well, in that time we didn't realize, you know, how powerful he really was. We was drove to the hotel in Port-au-Prince called the Rancho. This hotel is one of the most luxurious hotels in Port-au-Prince, and as soon as we walk into the hotel, there was a couple of guys dressed in plainclothes. We offered to register in the hotel. They did everything for us. They give us the best room, and we was treated like a VIP all the way.

Senator KERRY. At some point with this deal to buy shrimp at below market price, were the companies that you talked to, were they able to turn down the below market price offer? Were they able to get full price if they wanted to?

Mr. QUINTANA. Yes, sir. We went to the company in Port-au-Price with Jean Claude Paul and his wife, and again with a couple of soldiers. As soon as we walk in the company——

Senator KERRY. So, Jean Claude Paul is with you?

Mr. QUINTANA. Yes, sir.

Senator KERRY. You go to the company?

Mr. QUINTANA. And he was right with us.

Senator KERRY. What happened?

Mr. QUINTANA. He walked right into the seafood company. The company was owned by two brothers. If I recall it right, the name was Simon. We sit around. Mr. Simon showed us the different seafood that he's got, and we saw he had a bunch of boxes already packed to be shipped to the United States for lobster tails.

Apparently he had some commitment with some company in New York already.

Senator KERRY. I didn't understand that. I'm sorry.

Mr. QUINTANA. Apparently he had some commitment.

Senator KERRY. He had a commitment?

Mr. QUINTANA. For the merchandise that he had in stock at that time.

And he told me, I would like to sell you the merchandise, but I have a commitment and I have to ship these people the merchandise. Otherwise, they lent me some money ahead and I could not pay you. So, I told Marel Delanois, I said: "Well, you know, it could be the next time, it would be no problem."

So, when she told Jean Claude Paul, he said: "No, no, no, no; you sell them to him now." I mean, he was very emphatic that the shipment had to be sold to me, because I was paying cash for the shipment.

And also, I was a friend of his, so I should get the shipment and nobody else.

Senator KERRY. Now, did Colonel Paul expect anything for helping you to make this right connection?

Mr. QUINTANA. Yes, sir, he did.

Senator KERRY. What did he expect?

Mr. QUINTANA. He never told me the rate. The conversation went through his wife. He wanted to get paid $1 a pound for each pound of seafood that we buy in Haiti.

Senator KERRY. And that's what his wife told you at that time?

Mr. QUINTANA. Yes, sir.

Senator KERRY. Was there any discussion of drugs on this first trip?

Mr. QUINTANA. Not at all.

From there we went to a couple of other seafood places. They took us and he invited us to go to his ranch. It's about 90 minutes away from Port-au-Prince. We went to the ranch. The ranch was well guarded by the military.

Senator KERRY. This was his ranch?

Mr. QUINTANA. Yes, sir.

We went right inside and we saw a bunch of military around, with uniforms and with plainclothes, too.

Senator KERRY. Did you get to see anything else about the lifestyle of Jean Claude Paul?

Mr. QUINTANA. Yes, we did. And the way that he lived was very well compared with the way people live in Haiti.

Senator KERRY. Would it be very well compared with the salary of a colonel?

Mr. QUINTANA. Well, I don't have any idea how much a colonel makes in Haiti, but I can tell you that, assuming some of the knowledge that I have on what the military in Latin America makes, Jean Claude Paul was above that level.

Senator KERRY. What things did you observe?

Mr. QUINTANA. He had two Mercedes-Benz, two brand new Toyotas, Land Cruisers, a brand new Winnebago motor home. Very rarely you see one of those in Haiti.

Senator KERRY. Winnebago?

Mr. QUINTANA. Yes, sir.

And he had the house on the ranch. It was well furnished, air conditioned, stereos, color TV, and one of those big antenna that he can catch all the stations from the United States.

Senator **Kerry**. Satellite dish?

Mr. **Quintana**. Yes, sir.

Senator **Kerry**. Was there also an airstrip here?

Mr. **Quintana**. We didn't notice at that time. He took us around the ranch in his truck and we went by the airstrip about two times, but at that time the airstrip was well covered. It had cows and piles of grass in the airstrip.

Senator **Kerry**. At a later time, you came to see the airstrip?

Mr. **Quintana**. Yes, I did.

Senator **Kerry**. OK, we'll come back to that.

Why are the soldiers of the Desalinas Barracks so important in Haiti?

Mr. **Quintana**. The Desalinas Barracks is right behind the presidential palace. It is my understanding they are the elite of the Haitian army and they are very loyal, and they only answer to Col. Jean Claude Paul.

Senator **Kerry**. Did they play any role, do you know, in the elections of last November?

Mr. **Quintana**. It's my understanding, according to the information that I have and the information from the press, that they are the ones who really took over—I mean, they really, not took over personally in the attack, but they let it happen through the Ton Ton Macoutes.

Senator **D'Amato**. Did you come to learn that Colonel Paul is also the head of the Ton Ton Macoutes?

Mr. **Quintana**. I understand he is the military man in Ton Ton Macoutes.

Senator **D'Amato**. Did you see any evidence of that via the respect that—or did you come into contact with any of the members of Ton Ton Macoutes?

Mr. **Quintana**. I probably did, but we didn't know, because they all wear plainclothes and they all wear guns. So, you don't know if they're military with plainclothes or Ton Ton Macoutes.

Senator **D'Amato**. I think, Mr. Chairman, it's worthy of note that not only does he command those barracks, but if he's not the head, he certainly is in the hierarchy of the Ton Ton Macoutes.

And as it relates to Haiti and drug trafficking and human rights violations and terrorism, we have one individual tied up in one package who represents the worst of all of those elements, Mr. Chairman.

And let me suggest to some of my colleagues and friends who wonder why an interest in Haiti, we see a direct tyranny to the people in light of the tens and tens of thousands who, in order to escape that tyranny, we so often find washing ashore, some who never make it alive, some who will do anything to escape what is taking place.

And so we have an incredible situation developing. And we have done little, if anything, really in terms of utilizing our moral, legal responsibility and the power that we have to correct that situation. It has been half-hearted.

Now, of course I've already gotten myself embroiled in somewhat of a controversy as it relates to my characterization, not of the individuals but of their lack of activity and action. And I say we would be less than—I would be less than candid if I didn't say that we certainly lack any courageous action in our dealing—and they can take it anyway they want, and I want to say it for the record—lack of any kind of courageous actions in dealing with the outrages that have been heaped upon the people of Haiti, particularly in this past year.

It is absolutely incredible. It is a blow to this Nation, to what we're supposed to stand for, for the leaders of the free world, for democracy, for what's right, what's proper. To allow the barbaric rule to continue and to suppress the people of Haiti is something that this Senator has a difficult time understanding.

And I imagine there's a school of thought, although I have not heard it explained to me yet, that would say: "Well, if these people fall there is somebody who is apt to be even worse."

I don't know how you could make it worse, when we've seen hundreds of thousands of people flee for their lives, risk their lives. And we just continue doing business as if nothing has changed.

So, I just wanted to put that pronouncement in the record.

Mr. QUINTANA. Let me, Mr. D'Amato, going back to the Ton Ton Macoutes, you probably know the Haitian army has being kept down to about 7,000 men. The Ton Ton Macoutes in Haiti, they rose up to 40,000 men.

Senator KERRY. 40,000 men?

Mr. QUINTANA. Yes, in the Ton Ton Macoutes. So, if you get these together, Jean Claude Paul has the elite of the Haitian troops under his command, loyal to him, plus also has 40,000 men at his disposal any time that he wants.

I don't believe the people of Haiti have too much chance at all unless you, the people who have the power, do something about it, really.

Senator KERRY. We will come back to that. Let me just comment also, Senator Graham of Florida has an interest in this area. He does not serve on the subcommittee, but he is a member of the drug caucus. And he asked that we hold some of this testimony until he is able to join us and I have agreed to do that.

So, we will have further testimony with respect to Haiti at a subsequent time when we are back in session.

But let me come back now. I want to go through Jean Claude Paul and lead into the involvement with narcotics, which is obviously central here. You then returned. How long did you stay on this first trip in Haiti?

Mr. QUINTANA. I stayed in Haiti—we arrived on Friday and I left on Sunday.

Senator KERRY. Is it fair to say, though, you knew people in Miami who were members of the Haitian community there?

Mr. QUINTANA. Yes, I did.

Senator KERRY. You were familiar with Haiti?

Mr. QUINTANA. Yes.

Senator KERRY. Now, you returned to Miami. Did you return with Mrs. Delanoir, who was the wife of Jean Claude Paul?

Mr. QUINTANA. No, she stayed in Haiti until the following Monday.

Senator KERRY. OK. At some time after you returned to Miami, did she contact you?

Mr. QUINTANA. Yes, she did.

Senator **Kerry**. When was that?

Mr. **Quintana**. That was on Tuesday.

Senator **Kerry**. Shortly afterward?

Mr. **Quintana**. The day after she arrived.

Senator **Kerry**. And at that time did she want you to help her dispose of some cocaine?

Mr. **Quintana**. At that time she called me and told me that she wanted to talk to me, and I told her that I would go to her house after I finished work in my warehouse.

Senator **Kerry**. Did you have any idea what she was going to talk about?

Mr. **Quintana**. No, sir, not at all.

Senator **Kerry**. So, you went to her house?

Mr. **Quintana**. Yes, I did.

Senator **Kerry**. And you had a conversation with her?

Mr. **Quintana**. Yes, I did.

Senator **Kerry**. Was anybody else present?

Mr. **Quintana**. At that time it was me, her, and she had a bodyguard in the house all the time and he was the only person present at that time.

Senator **Kerry**. How did she bring this up? How did this come up?

Mr. **Quintana**. Well, the first thing she mentioned was that she had a problem. She wanted to invest some money in the seafood, but the main problem she had was to get dollars out of Haiti. And she told me that on Monday she gave the money to a lady friend of hers to go to Cap-Hatien, which is the part of Haiti where all the tourist boats arrive, and there is a big traffic in dollars there.

So, when she gave the money to this lady, apparently she did not buy the dollars. She traded the local currency for cocaine.

Senator **Kerry**. She asked you to turn the dollars—let me ask you for that answer again. I apologize.

Mr. **Quintana**. OK. She told me that she gave the money to a lady friend of hers to go to Cap-Hatien to buy the dollars from the tourist boat, and she went there. The lady didn't buy no dollars; what she bought was 412 kilos of cocaine.

And she told me that she had a problem because she didn't know what to do with the merchandise, since she never was involved in this kind of deal.

Senator **Kerry**. What did she request you to do?

Mr. **Quintana**. She told me first if I want to do it. I told her that I never was involved in that kind of drug deals. But she tell me then if I know anybody who knows somebody who was able to do this transshipment back to traffic.

At that time I told her I probably do, but I've got to contact this person. And I said——

Senator **Kerry**. Let me slow you down here. You said to her that you probably knew somebody who could do that?

Mr. **Quintana**. Yes, I did.

Senator **Kerry**. And then what did you say?

Mr. **Quintana**. Then I told her that I will get in contact probably with this person the next day. She insists, why I should not call him right there, like in 5 minutes. So, since this guy was a good friend of mine, I called him. He called me back an hour later.

All this time I was waiting in her house. And I told him to come down to the Mrs. Delanoir house to discuss this matter.

Senator KERRY. Did she offer you money?

Mr. QUINTANA. She offered me $800,000 commission for this job.

Senator KERRY. And did you know that the person that you were calling was involved in narcotics?

Mr. QUINTANA. He was not involved in narcotics that I know of, but he had a lot of people that he knows who was.

Senator KERRY. Did that person then come down to the house?

Mr. QUINTANA. Yes, he did.

Senator KERRY. What happened?

Mr. QUINTANA. Well, he had a meeting with her and he asked her a lot of questions. The first question was on safety, quality of the merchandise, and quantity. She couldn't answer all these questions, so she went right to the phone and called her husband in Haiti.

Senator KERRY. Were you present during that conversation?

Mr. QUINTANA. Yes, I was.

Senator KERRY. What did she say to him?

Mr. QUINTANA. I could not tell you that, Senator, because it was in creole.

Senator KERRY. OK.

Mr. QUINTANA. But let me rephrase. I assume the conversation went very positive, because right after she hung up she told me that her husband wanted me and my partner to go back to Haiti on Friday.

Senator KERRY. And who was to go back to Haiti?

Mr. QUINTANA. Me and the guy that I called.

Senator KERRY. At the time that she called her husband, Col. Jean Claude Paul, had you agreed to help her? Did you agree that the deal was on? You were going to take $800,000?

Mr. QUINTANA. No, sir, I did not agree to anything.

Senator KERRY. Well, what was she calling him about?

Mr. QUINTANA. She called him apparently to see, because this friend of mine was asking her a couple of questions about where the merchandise was, what kind of quality. She could not answer the details.

Senator KERRY. I see.

Mr. QUINTANA. So, she called him to get approved to going back with us to talk to him direct.

Senator KERRY. What happened? How did this meeting conclude?

Mr. QUINTANA. It concluded that we was going to go to Haiti the following Friday.

Senator KERRY. This is Tuesday?

Mr. QUINTANA. This is Tuesday.

Senator KERRY. And the next Friday you were going to go to Haiti?

Mr. QUINTANA. Yes, sir.

By the way, let me rephrase that. She asked us to go with her Wednesday, the next day. But since I didn't have nobody to open my business, I told her that I couldn't go until Friday.

Senator KERRY. Did the Haitians come back to you and insist that you participate in this transaction?

Mr. Quintana. She called me a couple of times at my seafood place to make sure that I was going to go.

Senator Kerry. So, did you agree to go to Haiti?

Mr. Quintana. Yes, I did.

Senator Kerry. Did you have to take special steps to have your business taken care of while you were gone?

Mr. Quintana. Yes, I did.

Senator Kerry. You left for Haiti in Friday?

Mr. Quintana. I left for Haiti on Friday, yes.

Senator Kerry. Did you fly back with Mrs. Delanoir?

Mr. Quintana. Yes, I fly back with her and my partner and me.

Senator Kerry. What is the date of this trip, or the month at least?

Mr. Quintana. Senator, it was the first day of October. It had to be the 3d or the 2d.

Senator Kerry. Of October?

Mr. Quintana. October 1986.

Senator Kerry. October 1986.

Mr. Quintana. Yes.

Senator Kerry. And you went to Port-au-Prince?

Mr. Quintana. Yes, we went to Port-au-Prince.

Senator Kerry. Were you met in the same way at the airport?

Mr. Quintana. This time, as soon as we walked out of the plane, a jeep, it was right on the field waiting for us.

Senator Kerry. What field?

Mr. Quintana. The international airport.

Senator Kerry. The jeep was right at the field?

Mr. Quintana. Right next to the airplane.

So, Mr. Jean Claude Paul wasn't there, so we got on the jeep and they drove us all the way up to the terminal.

Senator Kerry. And did you proceed to go to Colonel Paul's ranch?

Mr. Quintana. No, sir. He welcomed us right there. And he started talking to Marel.

Senator Kerry. He started to what?

Mr. Quintana. Talking to his wife. And he told us to give to him the passports to go through immigration and customs again, so he did the same operation that he did the first time.

And we went right outside. He put us in a car with two soldiers to be drove down to the hotel again, while she, Marel and him was going to talk something about the situation.

The reason we went to Haiti this time is because this partner of mine requests to see how this merchandise was packaged and how this merchandise quality was.

Senator Kerry. Your partner wanted to see the packaging and quality of the merchandise?

Mr. Quintana. Of this merchandise, yes, sir.

Senator Kerry. And at this time you were going along with this deal; is that correct?

Mr. Quintana. Yes, I went with them.

Senator Kerry. And when were you taken to his ranch?

Mr. Quintana. We first stayed in the hotel that day almost about 4 hours alone. Marel showed up around 10:30 at night with another girl that she introduced to us as her sister.

And she told us we were going to take a ride with her in the car.

Senator KERRY. Do you want to take a sip of water and relax for a minute.

Let me just say for the record here that Mr. Quintana is appearing under a considerable amount of pressure that has been placed on him by the circumstances of his current situation. Mr. Quintana, your life has been threatened; is that accurate?

Mr. QUINTANA. Yes, sir.

Senator KERRY. And in fact, is it true—this committee has been informed that a price has been put on your head. Is that accurate?

Mr. QUINTANA. Yes, sir.

Senator KERRY. Do you know how much that is?

Mr. QUINTANA. $600,000.

Senator KERRY. And in fact, has there been an attempt on your life?

Mr. QUINTANA. Twice.

Senator KERRY. And that took place in Miami; is that not correct?

Mr. QUINTANA. Yes, sir.

Senator KERRY. And that has been documented by the DEA; is that accurate?

Mr. QUINTANA. Yes. The first was right at the DEA building in Miami, and I was with a DEA agent at that time.

Senator KERRY. And is it accurate that you at one point in the last week have taken to carrying a machinegun yourself?

Mr. QUINTANA. I always do.

Senator D'AMATO. You always carry a machinegun?

Mr. QUINTANA. Since this problem; yes.

Senator D'AMATO. You're not carrying one now, are you?

Mr. QUINTANA. I couldn't.

Senator D'AMATO. Let me ask you something. Can you identify the group that Colonel Paul hired to put the contract out on your life?

Mr. QUINTANA. I understand that the contract came through, the first contract came through some Haitians in Miami, old buddies of his from the Ton Ton Macoutes. These people were arrested by the DEA.

The second contract, since they don't want to show up like it was a Haitian contract, they hired a Colombian family in New York who represent the interests of the Escobar family in Medellin. I understand that family's name is the Calderon family.

Senator D'AMATO. The Calderon family operating out of New York City?

Mr. QUINTANA. Yes, sir, that's my understanding.

At the same time, the Calderon family hired a local man in Miami, which is another Haitian, named Lionel Willie.

Senator D'AMATO. Mr. Chairman, I think that, as you and I well know, that linkage between again the Colombians and these other drug dealers once again comes back. And here's a hit team that is recruited that is part of the Calderon family, probably one of the most vicious and responsible for some of the most brutal murders in the New York area, including men, women, children, infants who have been gunned down, and are known for their ruthlessness.

Senator KERRY. I appreciate your going into that part of the questioning, because I think it underscores the nature of what one is dealing with here. Every time you turn around in one country or another, there's a Colombian tentacle, Medellin cartel tentacle, or at least a connection. Is that accurate?

Mr. QUINTANA. Yes, sir.

Senator KERRY. And with respect to your life now, it's fair to say that your business has been almost totally disrupted; is it not?

Mr. QUINTANA. Yes, sir.

Senator KERRY. And you are currently under protection, obviously?

Mr. QUINTANA. Yes, sir.

Senator KERRY. OK.

I'd like to come back now to the sequence as we proceed here. But as your voice was breaking, I wanted people to understand the pressure and stress that you've been under these recent days. And we will go into a couple of those attempts on your life at a later time.

You went back to the ranch with Colonel Paul; correct?

Mr. QUINTANA. No, let's stay right in the hotel a moment, sir.

Senator KERRY. OK.

Mr. QUINTANA. She came down with her sister——

Senator KERRY. Let's go slow now. She?

Mr. QUINTANA. She came down with another girl who she identified her like her sister.

Senator KERRY. This is Mrs. Delanoir?

Mr. QUINTANA. Yes.

Senator KERRY. All right.

Mr. QUINTANA. She told us, we're going to take a ride with her in a car that she had waiting outside. So, we got inside the car. As soon as we drove out of the hotel, she supplied out of her handbag a kilo of cocaine sealed and a sample of about 5, 6 ounces in a bottle, Ocamora.

And she told my friend, that's how the drug was packed and that was the sample for the quality, and she would discuss the details the next day with us if he likes the quality and the merchandise.

Senator KERRY. Then what happened?

Mr. QUINTANA. We went back to the room with the sample, and this friend of mine did some tests in the room through some aluminum papers and matches, and realized that drug was a very high-quality drug. At that time he assumed it was between 89 and 92 percent pure.

So, we went to bed, and the next morning around 7 o'clock Mrs. Delanoir showed up again at the hotel, this time alone, to have breakfast with us. While she was talking to my friend, I went outside to buy one of the Haitian paintings in frames.

While I was talking to the guy outside to buy one of those, she came out with this friend of mine. And I told him that I was going to get some money to buy the painting from the guy. She called one of the soldiers that was there. She tell me, "Which one you like?" So, I pointed out to her what frame that I like.

They went right there, ripped off the frame out of this guy's booth, rolled it up and gave it to me, and they didn't pay the guy. I went back to the guy and I was going to try to pay him, you know.

He said: "No, no, don't worry about it." The guy was very afraid to do anything.

So, we got back in the truck and she told us she was going to drive me and my friend to the Desalinas Barracks right behind the presidential palace, where her husband was waiting for us. So, while we were driving down, I saw one of those tortoise shells——

Senator KERRY. Tortoise shell.

Mr. QUINTANA. So you know, I fell in love with it, the one that was there. She stopped the car and called the guy who was selling the tortoise shell. The guy came over. We started discussing the prices, and the guy did not agree with the price and started walking away.

One of the soldiers behind us got off the truck, ripped off the tortoise off this guy's hand, and we take off again.

Senator KERRY. Ripped off what?

Mr. QUINTANA. The shell.

Senator KERRY. Took the shell.

Senator KERRY. He took the shell and threw it in the back of the truck and drove away?

Mr. QUINTANA. Yes.

Senator KERRY. Then what?

Mr. QUINTANA. We went to the Desalinas Barracks, and we had a——

Senator KERRY. You went to the Desalinas Barracks.

Mr. QUINTANA. Yes. And it is right behind the presidential palace in Port-au-Prince. So, we went right inside and Jean Claude Paul was waiting for us in his office.

We sit down, and she start talking to him in Creole. In the meanwhile, all these questions in the car was asked to Delanoir about landing fields, security measures, how, you know, he can land a plane in Haiti.

Senator KERRY. Your friend was asking these questions.

Mr. QUINTANA. Yes.

Senator KERRY. About how to land a plane, what were the security precautions. In other words, your friend was laying the groundwork——

Mr. QUINTANA. Yes.

Senator KERRY. For your pickup of the narcotics.

Mr. QUINTANA. Exactly, sir.

Senator KERRY. OK. And was she answering these questions, Mrs. Delanoir?

Mr. QUINTANA. She did not know all the answers.

Senator KERRY. So, that's why you went to see Colonel Paul.

Mr. QUINTANA. Well, you know, we had a meeting with him anyway, but she told us to wait until we can get to the——

Senator KERRY. Get those answers from Colonel Paul.

Mr. QUINTANA. To get the answers from him.

Senator KERRY. And did you in fact have a conversation with Colonel Paul?

Mr. QUINTANA. Yes, we did.

Senator KERRY. Regarding the plans for how to pick up the narcotics.

Mr. QUINTANA. Yes, sir.

Senator KERRY. And did he tell you about the security?

Mr. QUINTANA. He told us that, you know, he wanted us to take it right with him to the ranch.

Senator KERRY. To show you where you could pick it up.

Mr. QUINTANA. He told me, let's take it right to the ranch.

Senator KERRY. So, did you drive to the ranch?

Mr. QUINTANA. Yes, we did.

Senator KERRY. With Colonel Paul.

Mr. QUINTANA. Colonel Paul was driving personally at this time. His wife was sitting right next to him. Me and my friend was sitting behind, and two motorcycles with plainclothes was driving right beside us.

Senator KERRY. What kind of car was this?

Mr. QUINTANA. It was a 1985 or 1986 Toyota Land Cruiser.

Senator KERRY. OK. And you drove to the ranch in this car.

Mr. QUINTANA. Yes. It is a black one.

Senator KERRY. What did you see when you got to the ranch?

Mr. QUINTANA. Again, it was total security again, and we went right to the house. As we sit in the house, we started talking about—the first question he asked us, if we would like the merchandise? The answer was, from the friend of mine, yes. The second question he asked, if he would get the way to pick him up? And the friend of mine say, well, he had to go back to Miami, and the plan was he was going to tell us what kind of deal we can make, he can make the arrangement for. He asked us, what do we use, plane or boat? The friend of mine, you know, told him either one.

And then we had a map. He came out with a map. I do not know if it was a navigation map or a flight map. He laid down the map on the floor and pointed on the map where the ranch was.

The first question my friend asked, he said, "Well, I know where the ranch is. What's that got to do with that?" He said, "Well, because I'm going to show you the landing strip that I have."

Senator KERRY. So, he took you out to show you a landing strip.

Mr. QUINTANA. He personally took us to see the landing field.

Senator KERRY. What did you see there?

Mr. QUINTANA. Well, it was the same place that I told you about before, the last trip it was, it was a bunch of cows and grass.

Senator KERRY. We will take a break in a minute so you can rest, but let me just finish this piece of it.

So, where the cows and the grass was previously, there was this big strip?

Mr. QUINTANA. Yes, there was this big strip now with nothing on it. It was totally plain.

Senator KERRY. Were there landing lights?

Mr. QUINTANA. In that time he showed us the connection in the floor.

Senator KERRY. He showed you what?

Mr. QUINTANA. A couple of cables laid down on the floor, you know.

Senator KERRY. For connecting the landing lights.

Mr. QUINTANA. Yes.

Senator KERRY. OK. And how was the runway—strike that.

How long was the runway?

Mr. QUINTANA. Well, you know, that was the first question we asked him, how long was the runway. So, Mr. Paul got himself inside a pickup truck—I mean, this Toyota Land Cruiser, put his odometer on zero, and drove to one end to another, and the landing field was 1.6 miles.

Senator KERRY. 1.6 miles long.

Mr. QUINTANA. Yes.

Senator KERRY. So, it could handle pretty big airplanes.

Mr. QUINTANA. Yes.

Senator KERRY. Jets, all kinds.

Mr. QUINTANA. Also he, we asked him about refueling. He showed us right at the end of the field a couple of various tanks, drums with pumps that they used to refuel the planes.

In that time he told us to—we got to tell him what kind of plane we was using because depending on what kind of plane we was using, that's the kind of gasoline that we need. So, he has got to be told in advance.

Senator KERRY. Now, was a deal struck for the delivery of the cocaine?

Mr. QUINTANA. In that time, no. What happened was we asked him if we can take some pictures of the field, and the surroundings around, and this friend of mine, he started taking pictures. One of the pictures which DEA has shows Colonel Paul inside the truck driving around the field, plus also the field, the mountains, and everything else in that field.

Senator KERRY. How much cocaine was involved at this time in the discussion?

Mr. QUINTANA. He was talking about 412 kilos in that time.

Senator KERRY. How much money was Jean Claude Paul to be paid?

Mr. QUINTANA. He told us he wants $10,000. But first he told us——

Senator KERRY. I am sorry, how much?

Mr. QUINTANA. The first time he told us he wants $10,000 per kilo.

Senator KERRY. Per kilo.

Mr. QUINTANA. Yes.

Senator KERRY. 412 kilos?

Mr. QUINTANA. Yes.

Senator KERRY. Was anyone else supposed to receive a cut?

Mr. QUINTANA. In that time we didn't know anybody else. Later on we found out there was somebody else, yes.

Senator KERRY. Later on you found out.

Mr. QUINTANA. Yes, sir.

Senator KERRY. And who did you find out, who else was to get a cut?

Mr. QUINTANA. He was Antonio and two other partners that he got that he never told us who it was.

Senator KERRY. When did you learn that?

Mr. QUINTANA. When Antonio Paul flew back to Miami very scared because somebody told him that we was taking pictures of the field and the strip.

Senator **Kerry**. Well, we are going to take about a 10-minute recess at this point so you can try to hang onto your voice here, and then we will pick up with your testimony.

We stand in recess for 10 minutes.

[A brief recess was taken.]

Senator **Kerry**. The hearing will come to order.

We will resume with the testimony of Mr. Quintana.

Mr. Quintana, we had just finished describing the airfield at Jean Claude Paul's ranch in Haiti, and at that time there was no cloture on the deal; is that correct?

Mr. **Quintana**. No.

Senator **Kerry**. What was the status of the deal?

Mr. **Quintana**. The status of the deal was that I was going to come back to Miami and this guy, friend of mine, he was going to get in contact with the people and see who he was going to hire to go to Haiti.

Senator **Kerry**. So, did you—let's go back to the airstrip. I want you to relate to me what took place at the airstrip, as you complete, now, you have driven 1.6 miles, you have got a long airstrip, where do we go?

Mr. **Quintana**. OK. From that point, you know, he told us the ritual of the refueling tanks and told about the type of gasoline that we need, and then he took us back to the house.

While we are sitting in the house, this friend of mine started asking him questions, what kind of lights? Then Mr. Paul went inside the house and brought two lights in his hand to show us——

Senator **Kerry**. Two what?

Mr. **Quintana**. Lights.

Senator **Kerry**. He took lights to show you what the lighting of the runway would be like.

Mr. **Quintana**. Lighting of the runway was.

Senator **Kerry**. Because the plan was for him to land at night?

Mr. **Quintana**. Apparently, you know, he wanted us to land at night, and the reason was, when he told us that, this friend of mine told him, well, we need lights, you know, for that. So, he went inside the house and provide us with two samples of the lighting light, and it was some kind of square lighting with a plastic cover with two colors, a red and a blue.

Then he told us to follow him to inside the house when he had a big room there where more lights——

Senator **Kerry**. More lights.

Mr. **Quintana**. More lights, electric pumps, flashlights and, you know, so all kind of equipment, radios.

Senator **Kerry**. OK, so your friend was now convinced that it as possible to do the landing.

Mr. **Quintana**. Yes.

Senator **Kerry**. Then what did you do?

Mr. **Quintana**. Well, from that point, that time, his brother came over.

Senator **Kerry**. Whose brother came over?

Mr. **Quintana**. Antonio Paul.

Senator **Kerry**. Jean Claude Paul's brother.

Mr. **Quintana**. Yes, Antonio Paul, came over and a couple other military guys with plainclothes, and as we are talking, my friend told them is there any way he can have a picture of all of them together? And they were there for that picture.

Senator KERRY. So, your friend took a picture of all of you standing there.

Mr. QUINTANA. The picture was took by Marel Delanoir.

Senator KERRY. Oh, by Mrs. Delanoir.

Mr. QUINTANA. Yes.

Senator KERRY. Is that picture—where is that picture today?

Mr. QUINTANA. That picture DEA has.

Senator KERRY. DEA has that picture now.

Mr. QUINTANA. Yes.

Senator KERRY. OK.

That has been placed in evidence before the grand jury?

Mr. QUINTANA. That I know, yes.

Senator KERRY. Now, after the picture was taken, what did you do?

Mr. QUINTANA. After that we had a couple of champagne bottles that he opened and he told——

Senator KERRY. Bottles of champagne.

Mr. QUINTANA. Yes.

Senator KERRY. You opened bottles of champagne to celebrate a deal?

Mr. QUINTANA. Yes, to, you know, and he told us if you want to have lunch, that he wanted to take us to a restaurant in Port-au-Prince.

So, we agreed, and we all went to Port-au-Prince. When I mean, we all went, is the friend of mine, me, Ms. Delanoir, and Jean Claude Paul.

The restaurant was located right next to the American Embassy. So, when we walk into the restaurant, there was a lot of people there from the American Embassy and some Haitians also eating there.

Some people look at him like they was afraid of him, and right away he look at the table and say something to Marel Delanoir.

Senator KERRY. I didn't understand that.

Mr. QUINTANA. He turn around and say something to Marel.

Senator KERRY. Said something to his wife.

Mr. QUINTANA. To his wife, and as we are walking, as soon as we sit down at the table, he told us that—Marel told us that her husband is saying, you know, that a couple of guys was sitting right in the restaurant that worked for DEA and the CIA in Haiti.

Senator KERRY. How did he know that?

Mr. QUINTANA. Later on we found out through Marel Delanoir that he has some kind of contact to the American Embassy, inside the American Embassy. It was a Haitian woman who supplied information to him.

Senator KERRY. To Jean Claude Paul.

Mr. QUINTANA. Yes.

Senator KERRY. OK. Now, who was to make arrangements for the pilots to fly?

Mr. QUINTANA. The arrangement was made through—I mean, we are supposed to make arrangements for the pilot to fly.

Senator KERRY. Did you actually see the cocaine?

Mr. QUINTANA. We saw the sample that he supplied to us, and we still have the jar with 5 or 6 ounces in our package.

Senator KERRY. Did you bring that back to Miami?

Mr. QUINTANA. No. Well, we really—my friend threw away the cocaine in the bathroom of the airplane.

Senator KERRY. You put it in the airplane?

Mr. QUINTANA. Yes. Well, let me go back, Senator.

As we were eating, you know, he asked my friend if he liked the quality, and my friend told him yes, but he needs to take the sample back to Miami, and the main problem we were facing is that every time that we go to the airport to go to Haiti, since he always leaves us outside, they always check our bags on the way out. So, there is no way we could take the cocaine with us.

So, he told us it was no problem, don't worry about it. So, we finish eating and he drove us to the airport, and he went down himself and put the cocaine jar right in his handbag where his gun was, and he walked through the immigration and Haitian customs.

Senator KERRY. Who did that?

Mr. QUINTANA. Jean Claude Paul, with the jar of cocaine.

Senator KERRY. Right.

Mr. QUINTANA. And as soon as he went through the security system the alarm sounded, and the soldier turned around. When they saw who it was, right away everybody saluted him, and we went right through.

Senator KERRY. And then he gave you the jar to take on the airplane.

Mr. QUINTANA. Yes.

Senator KERRY. So, he escorted you right to the airplane.

Mr. QUINTANA. Yes, sir.

Senator KERRY. OK.

And then while you were on the airplane, your friend thought better of bringing it in?

Mr. QUINTANA. Well, really, what I did, you know, what I told him, you know, "Why the hell do you want to bring this thing to Miami, you know? You will probably get caught with this thing, 4 ounces, you know. You had better throw them away."

So, he apparently decided to do that, and he went to the restroom and dumped the jar in the restroom.

Senator KERRY. Dumped the contents.

Mr. QUINTANA. Yes.

Senator KERRY. But he kept the jar.

Mr. QUINTANA. I don't recall that, Senator, if he kept the jar or not.

Senator KERRY. You are not sure about that.

All right.

Now, something happened to this deal; correct?

Mr. QUINTANA. Yes.

Senator KERRY. OK, do you want to describe to us what happened?

The deal did not go through as planned; right?

Mr. QUINTANA. No.

Senator KERRY. Why not?

Mr. QUINTANA. Well, the reason we went back to Miami, this friend of mine already started making contacts, you know, to who, how he was going to bring it in. He contacted a couple of people with boats and airplane, and he was working on it. So, the following day——

Senator KERRY. Let me just see, he was working at making the deal carry out.

Mr. QUINTANA. That's right.

Senator KERRY. Your friend was out there trying to put the pieces together.

Mr. QUINTANA. Exactly.

Senator KERRY. And something happened while he was doing that.

Mr. QUINTANA. Well, reason, Marel Delanoir arrived in Miami the following day, after we left, and she told us that Antonio Paul and associates was very scared by the pictures that we took of the field. So, she told us that, you know, Antonio was going to arrive in Miami on the next, following day to pick up those pictures and the negatives.

I was the one who took the pictures to the developer, and we took it to the place in Miami when, without me knowing, you know, it is one of those deals that you develop the roll and they give you two copies.

Senator KERRY. OK.

Mr. QUINTANA. So, when Antonio arrived in Miami, we gave him the negative and one of the copies, and we kept one of the copies.

Senator KERRY. You kept one of the copies.

Mr. QUINTANA. Yes.

Senator KERRY. All right. Then what happened?

Mr. QUINTANA. Well, Antonio told us that Marel has got no authorization to deal in anything.

Senator KERRY. Now, go slow here.

Antonio Paul, Colonel Paul's brother, came to Miami.

Mr. QUINTANA. Yes.

Senator KERRY. Collected a picture and the negative.

Mr. QUINTANA. Yes.

Senator KERRY. And then he told you that——

Mr. QUINTANA. That Marel Delanoir has no business or no authorization to be in this deal.

Senator KERRY. OK. So, Mrs. Delanoir was cut off from the deal.

Mr. QUINTANA. Well, what they did was, she started screaming right away, and she called Jean Claude Paul in Haiti, and between them they worked out a deal, if the deal was going to go through.

Senator KERRY. Had the Haitians paid you money?

Mr. QUINTANA. Yes.

Senator KERRY. How much money had you been paid?

Mr. QUINTANA. They give me, it was—well, they gave me $100,000 which I opened a letter of credit in the Ocean Bank in Miami.

Senator KERRY. So, you had come with $100,000 back from Haiti.

Mr. QUINTANA. She gave me the money in Miami that week, later on that week.

Senator KERRY. What was that money for?

Mr. QUINTANA. For, according to her, you know, it was her money, and she wanted to——

Senator KERRY. That was the investment money.

Mr. QUINTANA. Yes, the investment money.

Senator KERRY. That was the money that sort of enticed you into this deal; is that right?

Mr. QUINTANA. Exactly.

Senator KERRY. OK, now, so she is now making a lot of noise because she is supposedly deauthorized from dealing with you; correct?

Mr. QUINTANA. Exactly.

Senator KERRY. And then what happens?

Mr. QUINTANA. Well, what happened was, you know, she called the husband, and apparently the husband agreed to pay her $50,000 if the deal goes through because he didn't know if he was going to do the deal, and that would have to be made by Antonio Paul's decision.

Senator KERRY. I want to make sure I understand this.

He agreed to pay her $50,000.

Mr. QUINTANA. Yes.

Senator KERRY. In order to do what?

Mr. QUINTANA. Senator, is there any way I can talk to the translator, because my voice is killing me.

Senator KERRY. OK. We will try to do it that way and see how it works. But I would like you to talk into the microphone in Spanish anyway, and ask the interpreter, and just do it a sentence at a time.

So what happened?

You know, we have done so well, and we do not have that much more to do. I want to try to keep it going in English. It is just going to be quicker, and you are going to have to talk the same amount no matter what.

But if I would ask you just to go slow, I think you will have an easier time if you do not try to talk as rapidly. And you can talk softer. You can talk a little softer, and I think we will still hear.

Mr. QUINTANA. OK.

Senator KERRY. So, just explain to me, she was going to get paid $50,000 from her husband, Colonel Paul.

Mr. QUINTANA. That is right.

Senator KERRY. To replace part of the money.

Mr. QUINTANA. Yes.

Senator KERRY. OK, what would happen to the deal?

Mr. QUINTANA. What happened to the deal was that when Antonio arrived, we had a meeting with Marel and Antonio, and he told us that, you know, that first that he wants the pictures back and the negatives, which we give back to him, and also that, you know, if there's anything that has to be done, it has got to be done with him and his brother, that Marel do not—she was not authorized to do the deal.

Senator KERRY. Then what happened?

Mr. QUINTANA. Then she was very mad about the answer, and she got the phone and called Jean Claude Paul, and she talked to him, and apparently Jean Claude Paul told his brother on the phone, too, at the same time, if anything go through, he was going to give her a finding fee of $50,000.

Senator KERRY. So, you tried to keep the deal alive.

Mr. QUINTANA. We tried to keep the deal alive, yes, we did.

Senator KERRY. And she would get $50,000.

Mr. QUINTANA. Yes.

Senator KERRY. What happened then to the deal?

Mr. QUINTANA. Well, the deal was Antonio started asking questions about us.

Senator KERRY. All right.

Mr. QUINTANA. You know, that he don't know us, that you know——

Senator KERRY. So, he began to not feel sure he could trust you.

Mr. QUINTANA. That's right.

Senator KERRY. Then what happened?

Mr. QUINTANA. Well, he told us that, you know, he was going to go back to Haiti and talk to the associates to see what they are going to say about this deal. But something very strange happened. He was going to stay in Miami one more day, and he needed somebody to go around with him to buy automotive parts——

Senator KERRY. I didn't understand that. He did what?

Mr. QUINTANA. He needs somebody to go——

Senator KERRY. Talk quietly.

Mr. QUINTANA. He needs somebody to go with him the following day around Miami to buy some automotive parts.

Senator KERRY. To buy automotive parts.

Mr. QUINTANA. Yes. He asked me if I wouldn't mind to take him around.

Senator KERRY. All right, so you took him around Miami to buy automotive parts.

Mr. QUINTANA. Yes.

Senator KERRY. Then what happened?

Mr. QUINTANA. Well, you know, while we were driving and talking, we started building a good relationship, and he invited me to go to Haiti, you know, to maybe work out the details of the deal.

Senator KERRY. He went back to Haiti?

Mr. QUINTANA. He went back to Haiti.

Senator KERRY. Let me try to shortcut this a little.

And the deal was agreed on again?

Mr. QUINTANA. Yes, it really was agreed with the condition that I got to go back and sit down with all them again.

Senator KERRY. Did you?

Mr. QUINTANA. I did.

Senator KERRY. You went back and sat down with them one more time?

Mr. QUINTANA. I went back, and this time we went back only, my partner, me, and Antonio picked us up at the airport, and from there we went to the Desalinas Barracks, and we were going to have dinner with Jean Claude Paul.

Senator KERRY. Once again, you sat down with Jean Claude Paul and you closed the deal.

Mr. QUINTANA. Yes.

Senator KERRY. OK. And this was done right in the Desalinas Barracks.

Mr. QUINTANA. It was done in the Desalinas Barracks, and from there we went and had dinner.

Senator KERRY. And after, did you return to Miami?

Mr. QUINTANA. After that my friend to Miami, and I stayed in Haiti with Antonio Paul as his house guest.

Senator KERRY. How long did you stay in Haiti?

Mr. QUINTANA. I don't recall, but it was about 3 or 4 days.

Senator KERRY. At some time did a plane come to pick up the drugs?

Mr. QUINTANA. No.

Senator KERRY. At some time did the drugs come?

Mr. QUINTANA. No.

Senator KERRY. And the reason for that was?

Mr. QUINTANA. The reason for that was because my friend went back to Miami to make the arrangements.

Senator KERRY. The arrangements were made, correct?

Mr. QUINTANA. He made the arrangement after he got the OK with Antonio and Jean Claude Paul that a deal was going to go on.

Senator KERRY. Did the deal go off?

Mr. QUINTANA. No, it went on. The deal went on.

Senator KERRY. That's what I mean. The deal was then carried out, correct?

Mr. QUINTANA. Yes.

Senator KERRY. And the drugs were sent to the United States?

Mr. QUINTANA. Well, if you want the details I'd be happy——

Senator KERRY. I want to try to—I'm trying to save your voice and make it easy to understand here.

But something happened to those narcotics on their way; correct?

Mr. QUINTANA. Yes.

Senator KERRY. You didn't get them?

Mr. QUINTANA. No.

Senator KERRY. What happened to them?

Mr. QUINTANA. What happened was the people who flew the narcotics, this friend of mine hired them, they ripped off the load in Spanish Key, Bahamas.

Senator KERRY. Let's be clear about that. Pilots were hired to run the drugs in?

Mr. QUINTANA. Yes.

Senator KERRY. But the pilots who were hired, as you said, "ripped off the load"?

Mr. QUINTANA. Not the pilot. The people who run the—the pilot was the guy that they used to fly the plane. The guy who owned the plane and the people who was running for him ripped off the drugs.

Senator KERRY. The guy who owned the plane had people who were working for him rip off the drugs from the pilot?

Mr. QUINTANA. Yes.

Senator KERRY. So, you lost the drugs, no money to pay the Haitians; correct?

Mr. QUINTANA. Exactly.

Senator KERRY. So, the Haitians come and they want their money.

Mr. QUINTANA. That's with a 9 millimeter.

Senator KERRY. And what happened?

Mr. QUINTANA. I was told by this guy Frank that the drug is still in his control, that he was waiting for a better time.

Senator KERRY. I didn't understand it.

Mr. QUINTANA. OK. I want to make a point. Before this meeting with the Haitians, I had never met the people who owned the plane, the people who was going to bring the drugs in Bahamas. I didn't know anybody.

Senator KERRY. Nobody knew anybody.

Mr. QUINTANA. My friend knows the people. He's the one who hired them, but he never told me who they were.

Senator KERRY. OK.

Mr. QUINTANA. The reason is at what point—let me make a point. When we was closing the deal, Jean Claude Paul told Antonio that the deal was going to go on on the condition that I guarantee the deal, because this friend of mine didn't have nothing, no property, no way to be tracked.

Senator KERRY. So, you're the guarantor for this deal going on through your friend?

Mr. QUINTANA. Yes, sir.

Senator KERRY. And you stood to make $800,000?

Mr. QUINTANA. No, sir. I stood to make $100,000.

Senator KERRY. $100,000.

Mr. QUINTANA. Yes, sir.

Senator KERRY. OK. And you took steps to get the money back; correct?

Mr. QUINTANA. I steps to get——

Senator KERRY. The drugs, you tried to get the drugs back?

Mr. QUINTANA. Yes.

Senator KERRY. And it's at that time that you got arrested by the DEA; correct?

Mr. QUINTANA. Well, the guy, you know, who flew the drugs from Haiti and some other place, he was a drug dealer, he got caught by DEA. And as a condition of his release, he tells DEA about the connection that I have in Haiti. And he told me that he was going to take me to the place where the people who robbed the drug from him, and he took me to the DEA front.

Senator KERRY. He took you to the DEA?

Mr. QUINTANA. Yes.

Senator KERRY. It was a front operation of the DEA?

Mr. QUINTANA. Yes.

Senator KERRY. And that's when you got in contact with the DEA?

Mr. QUINTANA. Yes.

Senator KERRY. And they got in contact with you?

Mr. QUINTANA. Exactly.

Senator KERRY. Which is what brings us to this point today; correct?

Mr. QUINTANA. Exactly.

Senator KERRY. So, this was your first time involved with drugs, first effort?

Mr. QUINTANA. My first time involved in any criminal act.

Senator KERRY. And it is safe to say that for $100,000, a very successful business and a lot of other things have been disrupted; correct?

Mr. QUINTANA. Yes, sir.

Senator KERRY. Now, since that time you say that there have been attempts on your life by the Haitians you described. I might add for the record that our staff investigator was present in Miami meeting with you and in fact was quite surprised to see machineguns in the room in which he was meeting with you.

And I believe about a half hour after the investigator left, there was an attempt on your life in the presence of a DEA agent. Is that accurate?

Mr. QUINTANA. Yes.

Senator KERRY. Would you describe that to us?

Mr. QUINTANA. Well, you know, after Mr. Blum left town I stuck with the DEA office right there, and talking about the situation, this case. And as soon as I went out of the DEA building, you know, to go home, I was followed by a car with apparently two Haitians and a Spanish guy sitting right behind.

This car was a Datsun, a blue——

Senator KERRY. A Datsun?

Mr. QUINTANA. Datsun, Nissan, a four door with tinted windows on it. And as soon as I saw them, I went right back to the DEA building and I gave the DEA the license plate. The car followed me two times around the building.

Right in the DEA building in Miami, he saw a couple of State troopers sitting around. So, as soon as I got in, they took me inside the DEA building. From that moment, about 14 agents went out with me to escort me out of the building.

Senator KERRY. Fourteen agents escorted you out of the building?

Mr. QUINTANA. Yes, including the supervisor of the group.

Senator KERRY. And did agents manage to make arrests at that time?

Mr. QUINTANA. Not that I know of. Not that I know of. They got the license plate of the car.

Senator KERRY. Subsequently, some arrests were made; correct?

Mr. QUINTANA. Yes, it was made on March 6, 1987.

Senator KERRY. Can you tell me who Lionel Woolie is?

Mr. QUINTANA. It's my understanding Lionel Woolie was the righthand man for Jean Claude Paul in Haiti and he is one of the Ton Ton Macoutes.

Senator KERRY. Where does he live?

Mr. QUINTANA. He lives in West Kendall, Miami.

Senator KERRY. In Miami. And do you know whether or not he is the man who is alleged to have put a price on your head?

Mr. QUINTANA. According to the information—I got this through a third party, which Mr. Blum can confirm that.

Senator KERRY. But that's what you believe?

Mr. QUINTANA. Yes.

Senator KERRY. That's what you've come to learn from your information?

Mr. QUINTANA. Yes, sir.

Senator KERRY. Do you know whether or not members of the Haitian community in Miami are active in the manufacture of crack?

Mr. QUINTANA. As you know, since this has happened to me, I never will be able to come back to the Haitian town. But my understanding is yes, they are.

Senator KERRY. Do you know what the going price for a crystal of crack is in Miami schools? You don't?

Mr. QUINTANA. I have no idea, Senator.

Senator KERRY. Do you know whether or not the Ton Ton Macoutes operate in Miami?

Mr. QUINTANA. Yes.

Senator KERRY. Do they operate?

Mr. QUINTANA. Yes.

Senator KERRY. Do you know whether or not the drug trade in Miami involving the Haitians is controlled from Haiti?

Mr. QUINTANA. It's my understanding that it is, yes.

Senator KERRY. And you can tell us more about that. You have told us privately, I know.

Mr. QUINTANA. Again, Senator, you have to remember that I was not able to prove this matter on a person-to-person basis, like I would like to. Everything that I got was on a third-hand basis.

Senator KERRY. While you were in Haiti, did you learn from your conversations that there is a Colombian cartel connection with Colonel Paul?

Mr. QUINTANA. Yes.

Senator KERRY. And is that connection a man by the name of Cardoso?

Mr. QUINTANA. The connection comes from a man named Escobar, who represents—the Cardoso family represents the Escobar interests in the United States.

Senator, excuse me a moment. You're talking about Cardoso or Calderon?

Senator KERRY. Cardoso.

Mr. QUINTANA. Let me rephrase that point. Cardoso was the contact that Col. John Claude Paul had between him and the Colombians.

Senator KERRY. OK. That was my question.

And do you know if there was a time when the cartel accused Cardoso of pocketing some of the money it sent him?

Mr. QUINTANA. Yes.

Senator KERRY. It did happen. And was that money that was sent to him in order to pay Colonel Paul?

Mr. QUINTANA. My understanding of this deal was that Cardoso was making the payment for leasing the field and the security arrangement for the Colombians to Haiti.

Senator KERRY. Do you know what, if anything, the cartel did to make him pay it back?

Mr. QUINTANA. It's my understanding that Jean Claude Paul found out what Cardoso was doing, and Cardoso was paying Jean Claude Paul $50,000 for the leasing of the field, but at the same time he was telling the Colombians that he was paying $350,000 and pocketing $300,000.

So, when they realized that, I believe Mr. Paul confiscated one of the shipments from the Colombians.

Senator KERRY. Confiscated?

Mr. QUINTANA. Yes.

Senator KERRY. A shipment?

Mr. QUINTANA. Shipment. And the Colombians right away asked why and asked Cardoso to go to Colombia. When Cardoso went to

Colombia, they called Jean Claude Paul and asked him why he was confiscating the merchandise. And I understood he told them that he never got paid.

He's another witness, who Mr. Blum knows, who was on the other end of this deal, who can corroborate with more detail about what happened.

Senator KERRY. I understand that.

What was done with Mr. Cardoso in order to deal with this issue?

Mr. QUINTANA. Again, Senator, I got this from the second person, like Mr. Blum has.

Senator KERRY. You have this from other people?

Mr. QUINTANA. Yes.

Senator KERRY. And we have it from another source.

Mr. QUINTANA. Yes. He has it from another source.

Senator KERRY. I understand that. But you have this from other sources.

Mr. QUINTANA. Yes, I got it from the colonel's wife, Marel.

Senator KERRY. What was done?

Mr. QUINTANA. I believe they beat him up in Colombia.

Senator KERRY. Do you know what they did? Didn't they tie him to a tree?

Mr. QUINTANA. Yes. I told the story when Mr. Blum was in the office.

Senator KERRY. Do you want to tell us?

Mr. QUINTANA. Well, it was my understanding in the story, according to the one who was there, he said that Mr. Cardoso was tied up to the tree and the Colombians was beating him on the back.

Senator KERRY. And was he forced then to telephone his family and tell them to get the money?

Mr. QUINTANA. Yes. He telephoned his wife in France, I believe.

Senator KERRY. Do you know who controls the Haitian trade boats on the Miami River?

Mr. QUINTANA. No, I don't.

Senator KERRY. If you don't know, I don't want you to guess. But I'm asking you, do you know.

Mr. QUINTANA. No.

Senator KERRY. All right.

Do you know whether or not those boats are used for cocaine smuggling?

Mr. QUINTANA. It was mentioned to me one time in Haiti; yes.

Senator KERRY. While you were in Haiti, you learned that?

Mr. QUINTANA. Why was I in Haiti? I was at Antonio Paul's house. That was the one, that was when he mentioned it to me.

Senator KERRY. Why did you go out and get a machinegun? Why didn't you ask DEA at that point to give you protection?

Mr. QUINTANA. Well, the reason I got the machinegun was because something very strange happened when they tried to kill me. The DEA decided to move me out of town and promised me they were going to put me in the witness protection program.

They told me I had to leave town because the Haitian who was arrested at that time was not only to kill me, but to kill one of the agents, too, as well in this case.

Senator KERRY. Now, I don't want to go into that in great detail. At this point that's been dealt with; is that correct?

Mr. QUINTANA. Yes.

Senator KERRY. Well, I don't want you to be reluctant about it. Has it been dealt with or hasn't it?

Mr. QUINTANA. We're working on it, sir.

Senator KERRY. OK.

Did you—where did you get this machinegun?

Mr. QUINTANA. The machinegun came from a guy named Franz Empero.

Senator KERRY. Is this fully automatic?

Mr. QUINTANA. I believe so.

Senator KERRY. Easy to get in Miami?

Mr. QUINTANA. Very easy.

Senator KERRY. Lots of people running around with machineguns?

Mr. QUINTANA. Yes.

Senator KERRY. You know that? Do you know that?

Mr. QUINTANA. Yes, sir.

Senator KERRY. Have you seen a lot of them?

Mr. QUINTANA. Yes. I've got two.

Senator KERRY. Yes, but your two are of recent purchase; right?

Mr. QUINTANA. My two was—the reason was the Haitians; I became a target for the Haitians.

Senator KERRY. But how do you know this? I mean, you say you're a businessman, you haven't been arrested. There's obviously no arrest record until recently. You have been out of trouble.

What do you do, operate normal businesses in an atmosphere with machineguns around you?

Mr. QUINTANA. Senator, I never had a machinegun before in my life. I bought those machineguns after the DEA brought me into this.

Senator KERRY. But apart from that, apart from that problem, you said you have seen other people with machineguns. How does that occur?

Mr. QUINTANA. Well, since I was in the seafood business, that's plenty of reason to buy a machinegun in Miami.

Senator KERRY. So, what you're telling me is that the drug trafficking that was going on in the seafood business was plentiful enough that this was something that you came across even in your business, which was not tainted with drugs? Is that correct?

Mr. QUINTANA. Yes.

Senator KERRY. OK. And you knew of these other companies that were involved in this narcotics trafficking?

Mr. QUINTANA. I don't have no proof.

Senator KERRY. But you saw machineguns?

Mr. QUINTANA. Oh, I saw machineguns; yes. If I may comment on that, even 6 months before I was arrested, I was involved in this deal, we report to U.S. Customs a warehouse full of guns.

Senator KERRY. Well, Mr. Quintana, what do you think about the narcotics trade now?

Mr. QUINTANA. Stay away from it.

Senator KERRY. What?

Mr. QUINTANA. Stay away from it.

Senator **Kerry**. Has it pretty much ruined your life?

Mr. **Quintana**. Totally, totally.

Senator **Kerry**. Have you had to borrow money from your father?

Mr. **Quintana**. Yes, sir, I did.

Senator **Kerry**. How much money.

Mr. **Quintana**. $65,000.

Senator **Kerry**. Did he have that kind of money to help you for a long time?

Mr. **Quintana**. That's all he had.

Senator **Kerry**. And your wife and family, it's been difficult, hasn't it?

Mr. **Quintana**. They're living in a trailer.

Senator **Kerry**. Well, I want to thank you. I know the DEA is appreciative of your assistance. We have been working with them and I am appreciative of their assistance. And I know that their officers who have met with us are anxious to cooperate further and clearly intend to guarantee that your protection is provided for.

And we certainly want to express our appreciation for that. I also want to thank you for being willing to come forward. I know you have been very scared. I know you have had a lot of pressure on you, and I know that none of this is easy.

It's totally out of the norm of your life. But I assure you that it's somewhat out of the norm of our lives, too. And the importance of your testimony is not to be underestimated, I think.

You have told us about personal dealings with a man who controls perhaps 40,000 men or who knows the exact number today because of the turmoil in Haiti, but clearly an insidious, known terrorist kind of organization within a country that has rendered a whole people helpless before it. And their level of violence is famous, infamous I should say.

The situation in Haiti is one of chaos today, obviously. I think our policy has perhaps not helped it, but I'm not here to discuss that now.

What I want to underscore is that here is a military man who can run with impunity through Customs, who can steal paintings from people, who can take tortoise shells away, do whatever he wants, have an airstrip at a ranch, and live in the same kind of splendor as a Noriega or some of these other thugs around the world, and who is busy cutting deals to put narcotics on the streets of the United States.

And I am delighted that the U.S. attorney has moved. I applaud him for doing so. I think these recent efforts by our U.S. attorneys are vital, and that it is very important that we send this kind of signal, that we're simply not going to tolerate this.

What has also been underscored by your testimony is here is yet another country, not even listed in the international narcotics report of the U.S. State Department this year as a major transshipment point, from which we know that narcotics are flowing into this country, yet another country with tentacles to the Medellin cartel, with individuals who you have named who have those linkages, with money that has been flowing, and with an obvious trafficking network that is again, I say, polluting the streets of our country.

And I think your testimony has been most important in helping us to understand that. Clearly, we have to again revisit strategy and more.

But if the leaders of these countries are allowed to do this, we're going to be fighting a long uphill battle for a long time to come. If colonels playing generals, with enormous power, all of whom, no matter what their rank and title and their pseudomilitary status as in fact dictator, are able to pull these kinds of efforts, we've got our work cut out for us.

And until we start to get tough on elections in these countries, on the governments that we're willing to certify as legitimate governments, on the aid programs, and on our international cooperative efforts, we are going to undermine the efforts of the Sherman Griffiths and the Eddy Burnses who are giving their lives in the effort to try to fight drugs.

So, that's what I think your testimony is all about today, Mr. Quintana. And I am appreciative of the fact that you've come forward like this, and I think notwithstanding the fact that you got tangled up in a criminal enterprise, you're paying a high price for it right now and we obviously need to pay something of a price to assist you in doing that, and I hope we're going to do that for certain.

We will reconvene tomorrow. I will be—we have the immunity order from the court now, so we will be granting the immunity, a limited immunity, to Mr. Michael Palmer, who is supposed to be arriving here this afternoon. And we will be dealing with that in the course of the evening.

Because of the openendedness of some of those dealings, I cannot say with certainty whether he will be the first witness tomorrow or Mr. Milian Rodriguez. But we will be proceeding with a witness tomorrow morning. And then we have a couple of matters which by necessity we have to hold in a closed session, and I will be announcing tomorrow where we will be proceeding with respect to the rest of the schedule.

Tomorrow we will convene at 10 a.m.

And Mr. Quintana, you want to say something? I'm sorry?

Mr. QUINTANA. Yes, Senator. I would like to make about a 5-minute statement.

Senator KERRY. I'd be delighted to have you read a statement. Can you just read it slowly? Do you want to do it through the translator? If you just do it a sentence at a time, and he can translate as we go.

Mr. QUINTANA [speaking through the translator]. Distinguished gentlemen of this investigative committee, members of the press, and all others present.

Today is a very special day for me since I have the opportunity to share before this investigative committee all of my knowledge of drug trafficking in this hemisphere. I would like to thank the members of this committee for all the help they have extended to me during my stay in Washington, and especially Mr. Jack Blum for his dedication and, too, and at the same time, concern for me and my family over the last 4 weeks in which we've been in contact. Again, a thousand thanks on behalf of my family and I.

Many things have happened over the last year related to this case that have required sacrifice and caused pain for myself and members of my family. Today, all indications are that the nightmare is coming to its end. With my testimony today before this committee, I think that part of my debt to this great country and its people has been paid.

Everyone makes mistakes in the course of their lifetime, and I am no exception. But I have recognized these mistakes and I only ask that my family, friends, and society in general, and this committee, that they accept my most sincere repentance.

Many present today will ask who I am. I am simply one more ctizen of this country of the millions who pass daily down the streets of any city, but with one difference—drugs.

"Drugs," one of the words most commonly used by our society every day. We see it every day on TV, radio, newspapers, to the point that we see it so many times that we have become indifferent to it.

In the past, it was a vice with a market limited to the rich and the famous. Today drugs reach all levels of our society, with their message of death and destruction. Today we can say that our enemies do not combat us with arms. They have found a new weapon, drugs.

For many years, different U.S. administrations taught us or pointed out to us the danger of communism, and communism has not been able to triumph nor to convince us as to its ideology. Later they talked about terrorism and our leaders once again used their economic and military might to combat them wherever they might be, providing economic and military aid to many of our apparent allies in Latin America and internationally.

We support governments, we place leaders in countries of our hemisphere who, although according to statements of several previous witnesses apparently combated communism and terrorism, at the same time dealt in drugs. That today is the sad story we face in Panama and Haiti and naturally, the stars of the game, Cuba and Nicaragua.

Today, we maintain open arrest orders for political figures from Cuba and Nicaragua, but with no possibility of having these individuals tried in this country.

The next in line is supposedly the best ally of the United States, Panama. And all indications are that Mr. Noriega's show will continue at the expense of the Panamanian people. While our leaders of the present administration study how to resolve the problem, which, though it seems like a lie, was created and maintained by they themselves for the sake of their policy of combating communism in Central America.

While they turned a blind eye to drug traffic and money laundering in Panama, apparently the mouse was eating the lion. And now the new kid on the block, Haiti. The response, a question mark.

And to add other players to this game against the United States, from which drugs have been confiscated in attempts to get them into American ports, where political and military figures linked to drug trafficking have been mentioned, where drugs are produced or that are simply used for transshipment, we have the following "allies" in our hemisphere.

Mexico, where a DEA agent and his assistant were assassinated, Enrique Camarena. The supposed assassin or murderer, Carlos Qintero, rests comfortably in a Mexican prison.

Honduras, home and refuge of Mr. Matta Ballesteros. Venezuela, where the minister of justice was just dismissed because of his links to drugs. Bolivia, the refuge of Mr. Suarez and also No. 1 drug producer.

Peru, the second largest coca leaf producing country in the world. Colombia, home to the Medellin and Cali cartels. The Bahamas, a country that——

Senator Kerry. I just want to break in for a moment, because we received some important news that reflects on what you said, and I want to pick up on one thing.

You are talking now about these different places where people are sitting unmolested, and we have been raising that issue over a period of time. Mr. Vogel this morning did not testify to, but was going to, and can still, to some of Mr. Matta Ballesteros' involvements.

I want to remind people about Mr. Ballesteros, and I am sorry to break in but this is important. When a DEA agent was murdered, an American DEA agent in Mexico, brutally, Juan Ramon Matta Ballesteros escaped drug officials from Mexico.

Drug officials said that 1 week after Camarena and Sevala were reported missing, these are the two people who were killed, they gave Mexican authorities information that Ballesteros was in an apartment in Mexico City. And they sought Mexican help in arresting him.

The Mexican authorities delayed acting for 2 days, and Ballesteros escaped. John Lawn, the Administrator of the Drug Enforcement Administration, said that he was disturbed Mexico's failure to cooperate, which he termed, and I quote him, "At best inaction, at worst complicity."

Ballesteros is one of the most significant cocaine traffickers in the world. We have referred to him several times in the course of these hearings, this time, we referred to him in our hearings last time.

According to antinarcotics officials, he was the contact between the Colombian cocaine suppliers and the Mexican smugglers. He heads the so-called Padrino trafficking organization, which supplies cocaine to the United States. You have heard of that; have you not?

And it operates in Peru, Mexico, Colombia, and Honduras. Correct? Ballesteros was a Honduran national, and I said this yesterday, has been wanted by the U.S. law enforcement authorities since 1971 when he escaped from a Federal prison camp at Eglin Air Force Base in Florida. He had been serving a 3-year sentence for passport violations and illegal entry into the United States.

He is also wanted in New York on Federal charges of conspiring to import and distribute cocaine, and according to an arrest warrant and complaint he took part in a conspiracy between 1976 and 1982 to import five shipments of at least 660 pounds each from Colombia to the United States by way of Guadelajara.

From Guadelajara, incidentally, the Padrino organization funneled cocaine into New York, Miami, and Los Angeles. DEA has been investigating bank accounts around the world where Ballesteros is believed to have deposited drug money.

Between August 1984 and 1985, drug agency officials seized 3,600 pounds of cocaine, $16 million in cash, three properties, and several planes from the Padrino organization.

They believe the ring is able to smuggle up to 60,000 pounds of pure cocaine into the United States annually, taking in up to $30 million a month. The ring has also bought up legitimate businesses, including ranches, hotels, one-third of the country's only privately owned airline, that's Honduras. And in addition, the Internal Revenue Service has outstanding liens on the group worth $36 million.

So, Ballesteros was then arrested in Cartejena in Colombia. The DEA provided the Colombians with the information that helped to get his arrest. Apparently, he offered to pay off the Colombian police $450,000 to unarrest him, which they declined initially.

Less than a year later, he walked out of a Bogota prison in a uniform belonging to one of the guards that his agents had subpoenaed for many times their annual pay. He reportedly paid a $1 million bribe to the prison officials, and 13 days later he turned up in his native Honduras, which has no extradition treaty with the United States, and he surrendered to authorities to answer earlier charges of kidnaping and murder.

He spent a brief period in jail, again buying his way to freedom. He has been residing in Honduras up until today. He lives in Tegucigalpa in a large house. He is reportedly worth about $2 billion.

And despite the fact that they have remained the eighth largest country, as I mentioned yesterday, in the amount of aid they get from us, Ballesteros has been existing in that status with impunity.

I have just received word, and I thought it was important in view of our insistence on this issue and others, and our interest in it, that today Ramon Ballesteros has been arrested by Honduran authorities this morning in response apparently to concerns expressed in the United States about this case.

I suppose the big question now will be whether or not we can move with Honduras to somehow see that he comes to justice. And I hope that the pressure of these efforts can or has or will perhaps produce further effort with respect to that.

But I thought in light of your statement about those linkages, it is nice to try to end this on something of a potentially positive note. Do you want to complete that?

Mr. QUINTANA. Yes, for a couple of minutes. Also Belize, a major producer of marijuana, ships to the United States.

Jamaica, in which there have been 76 murders related to Jamaican drug traffickers so far this year in Washington, DC. The Dominican Republic, in which there was a confiscation of 146 kilograms of cocaine at Monte Cristi.

Ecuador, which began only as a transshipment country, is now a producer and exporting country. Paraguay, with new suspicions of certain political figures being involved in trafficking. And Costa Rica, which has always been a transshipment point.

All of these Latin American and Caribbean countries, supposedly our allies, almost find it impossible to come to any agreement on matters proposed by the United States. But as regards drugs, they have a unison voice. We do not have funds for combating drugs.

When the U.S. government proposes that it intervene directly against the traffickers, everyone clings to nationalism.

And the few who accept direct intervention and the allies of the traffickers and the Communists and the terrorists take steps to ensure that such intervention be for a limited time and with sufficient publicity to minimize its effect before they arrive. In turn, assuring its total failure so that it not be repeated.

For the first time, three enemies of the United States have found an effective way of destroying the American system, forming a triangular alliance that is called, communism, which is the ideology, terrorism, the armed wing, and drug trafficking which provides the financing.

The main shareholders of this new triangle, who else? Cuba, representing the ideology, different guerrilla groups representing terrorism. For example, the FMLN of El Salvador, the M-19 of Colombia, the Shining Path guerrillas of Peru, the Alfaro Vive group in Ecuador, the Cinchoneros in Honduras, and others. And drug trafficking controlled by the Medellin cartel.

But apparently, the Reagan-Bush administration has already found the solution as to how to combat this new sworn enemy. The plan is based on three steps.

The first step, appointing Vice President Bush as head of the Task Force on Drugs. He has lately been very busy in his political aspirations, and not very interested in the recent events going on in Latin America related to drugs.

Second, cutting the funds to different agencies that combat drugs, making it difficult if not impossible for them to function effectively. And since all wars have to have soldiers, an army has been created of men with much will, valor, and dedication, made up of 2,900 young men and women called the DEA.

The DEA, the Drug Enforcement Administration, possibly the letters most feared by the world's drug traffickers. The DEA with its limited resources in this unequal struggle, and with what may be the worst-paid agents in our judicial system, has to face ruthless and much better armed and equipped enemies who have no financial restrictions whatsoever.

The DEA, which in the years of its existence has lost 34 of its agents plus many more wounded in this unequal struggle against drug traffickers, in comparison with the FBI, which has been in existence for over 60 years and has lost only 29 agents.

These boys, and I call them boys because their average age is 24 to 33 years old, leave their homes every day without knowing whether they will return. They work at any time, day or night, almost always individually or in pairs, dealing hand to hand in drug deals, which makes them very vulnerable to the danger to which they expose themselves.

They also carry with them the defense equipment which consists of an identification badge, a pistol, and a lot of guts. They almost always work in the shadows without any public recognition.

They are the unknown heroes of the struggle against drugs. They constitute the backbone of the struggle against drugs, the unknown heroes. Even when they die fulfilling their duty they receive barely any of the public recognition they deserve. That is the DEA.

We who are U.S. citizens were born and raised amidst heroes. Since we were children we began to admire Superman, Batman, G.I. Joe, and so on.

Today I would like to mention one hero who, though I know he is against all types of recognition, I his former adversary have to mention. Gentlemen, he is Guarino, special agent to the DEA.

Not only do I have to thank him for opening my eyes in this struggle but I also have to thank him for his persistence and professionalism, thanks to which we are able to bring this case to a close.

I would like to note that Agent Guarino was by my side the day they tried to assassinate me and him. I owe him my life. Thanks once again.

And to end, I would like to express my greatest thanks to all those involved in this committee, who in the course of the last year have given their understanding, friendship, and moral assistance during this long process for myself and my family.

And the following persons. Stocks, DEA agent of Miami, Morris, DEA agent of Miami, Alex Millart, U.S. Customs of Miami, James Mathias, FBI agent in Miami, and my new local friends, Joseph Triggs II of the intelligence division of the Washington Police, and Detective Carl Shouffer, my special personal friend, U.S. Customs agent William C. Weaver. Thank you very much for your time.

Senator KERRY. Well, Mr. Quintana, I want to thank you on behalf of all of them for your generosity in calling them all to mind.

I think if we left more of our witnesses and others in the custody of the DEA, they might come up here and break the budget of the Congress with that kind of accolade. But I want to thank you.

I think that clearly your life has been in danger, and I know you are very emotional about this, as you ought to be. And we recognize the link that has been created between you and they, and we are very appreciative as I said earlier for their support and their help.

And I know that, you know, both of you are going to be cooperating as these days go on. So again, thank you for taking time. And I also thank you for that statement.

It reflects, I know the last year and a bit has been something of a nightmare for you, and has steeped you in your knowledge about narcotics in ways that you never thought you might be. So, I appreciate your outlook and I want to thank you again for your patience.

We will stand in recess until 10 tomorrow morning.

[Whereupon, at 4:12 p.m., the hearing was adjourned, to reconvene at 10:05 a.m., April 6, 1988.]

DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: THE CARTEL, HAITI AND CENTRAL AMERICA

WEDNESDAY, APRIL 6, 1988

U.S. Senate,
Subcommittee on Terrorism, Narcotics and
International Operations
of the Committee on Foreign Relations,
Washington, DC.

The subcommittee met at 10:05 a.m. in room SH-216, Hart Senate Office Building, Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senator Kerry.

Also present: Senator D'Amato and Jack A. Blum, special counsel.

Senator Kerry. The hearing will come to order. Today we are going to begin with some additional testimony from Mr. Ramon Milian Rodriguez, who testified before the committee in open session as well as in two closed testimonies, June 26 and 27, 1987. His testimony is important to us in terms of further shedding light on the nature of the cartel involvement with banks, the flow of money, and our understanding of the scope of the problem that we are dealing with.

We will then move this morning to the testimony of Mr. Michael Palmer, who will testify under a limited immunity granted yesterday in the Federal district court here in Washington.

Subsequent to the testimony of Mr. Michael Palmer, which incidentally involves confirmation of the former testimony about narcotics trafficking and a discussion of his involvement with a company that had contracts with the U.S. Government and other U.S. agencies, then we will move, I hope today, to the testimony of Ambassador Deumling, who had jurisdiction over the NHAL contracts themselves.

Then we will break for the day, which may mean that we will not have testimony this afternoon, depending on how far we get this morning, because we must hear a number of people in closed session.

Let me announce also that I have reached an agreement with the U.S. attorney for the Middle District of Florida, by which agreement we will be reviewing certain documents which we have not been able to review up until this point in time. In agreement for that, we are probably going to have to postpone the Monday series of hearings because one of our witnesses is potentially a witness in an ongoing matter in the Middle District of Florida. However, I have the assurance of the U.S. attorney that if that person is not a witness next week, we will proceed forward ourselves.

I do not want, obviously, to in any way affect any cases that are ongoing, so we are going to bend over backward to be certain that we do not do that.

I want to forewarn people, and we will have a final announcement on this later today, that we may postpone next Monday. I assure you that it is a mere postponement, and we will pick up with that as soon as we know what the resolution of the U.S. attorney's matter is.

In addition, I will announce that over the course of Thursday and Friday, we will hear additional witnesses, pilots and others who have been involved directly in narcotics trafficking while simultaneously being involved in the private assistance efforts to the Contras in Central America. That testimony will be principally tomorrow and on Friday.

So that is the picture of where we are going. I think things are pretty well lined up now to be able to complete that schedule.

Let me comment, second, on the arrest and transfer of Matta Ballesteros. Before the Foreign Relations Committee drug certification hearings during the time that I was chairing those hearings, we commented extensively on the impropriety of the United States aid program to Honduras being as high as it is while Matta Ballesteros sat free in the capital, living a very rich lifestyle, while wanted for the murder of Mr. Camarena.

It was said at that time by those testifying that there were difficulties in getting extradition in a country that did not have it. We suggested that, given our relationship, the probability existed that something could be worked out.

Obviously, yesterday something was worked out. I am delighted that the response has been as swift as it has been. I am also delighted that the Attorney General has decided to place some renewed emphasis on this, as I understand he departs for a number of Latin American countries in order to discuss the narcotics situation.

Clearly, however, the Honduran military remains a problem, and the transfer of Mr. Matta Ballesteros is, I think, a good faith beginning. We welcome it, but it is only a beginning. I think all those involved in the narcotics antitrafficking effort are going to be very wary of flashy beginnings which are not followed up by significant amounts of real reform and real enforcement.

So, while this is a most welcome and extremely positive development and one that should be looked on as such, I think we also have to make it clear that no one is about to be seduced by one or two efforts, that this much become a much more significant and ongoing effort as a whole.

I would like now to turn to our current witness.

Let me say also, Ramon Milian Rodriguez will only be addressing certain issues today. He is a central witness to the hearings that were to have taken place on Monday. He will continue to testify in that series of hearings when it takes place. I am today going to stay away from those areas purposefully, and I have instructed him to stay away from those areas.

Senator McConnell, who is the ranking member of this subcommittee, is unable to be here at this moment in time, has specifically requested that we hold off on that portion of the hearing until he could arrive. That was to have been Monday. Because of the developments with the U.S. attorney, it will now be as soon as we can schedule it thereafter.

I promised him that those matters would not be gone into unless he were also here.

We have other witnesses, incidentally, who are going to tell two sides of the story, so it is not going to be clear cut. I think it is important that he be here.

Yes, Senator D'Amato, would you like to speak?

Senator D'Amato. If I might, Mr. Chairman, let me say that I think that yesterday's arrest and the cooperation that we received in bringing to the United States, hopefully for trial, Mr. Ballesteros was very important and significant.

I think it would behoove us to continue that kind of effort, as you have indicated, in all of those cases where we have cause to believe that the countries to which some of these fugitives have fled have been less than diligent in their cooperation and in their efforts to bring these criminals to trial.

I really very much believe that it is as a result of the increased awareness, and I think that the Congress and yourself, Mr. Chairman, and others like yourself, Senator DeConcini, who have been outspoken and have been tenacious in continuing to bring to the public's as well as to the administration's attention the lack of prosecution as it relates to particularly the incredible death and killing of our drug enforcement agent, Enrique Camarena, that we have had this kind of persistent effort by our Justice Department people in bringing at least this one outlaw and drug dealer hopefully to prosecution.

It is that kind of persistent effort that is so necessary if we are going to really demonstrate that we are committed to undertaking the drug cartel wherever they may be with all of our resources and, second, of course, and probably more importantly, Mr. Chairman, as witness after witness has testified during the weeks that we have held these hearings, that regardless of the law enforcement office efforts, there has to be an awakening and a very real effort made to curb the demand.

Regardless of how efficient and effective the law enforcement effort will be, I could not help but reflect upon, I guess it was, Vogel and his testimony. He said we are just going to continue to find ways to bring it in as long as there is that demand.

So, that is the other part of the equation. We have yet to begin to develop the kinds of programs systematically to deal with it.

I just thought it was important that we do mention that I think this is a demonstration of what can be done when we are willing to shake the tree, even as it relates to countries with which we have good relationships. We have to put the drug issue on the front burner. When we put it on the front burner, we can get them to act. If we continue to keep it on the back burner, they are not going to act. Why should they?

Then, of course, I believe having Ramon Milian Rodriguez here today, to date he has been, at least to this Senator, in his previous testimony the most incisive as it relates to the network, to the corruption, to the tentacles, to the power, to the business acumen, to the political acumen of the drug cartel and spelling out very vividly just how dangerous and insidious and how destabilizing they have become and they are and why we should dedicate our resources and our energies and our attention to dealing with them as problem No. 1, particularly in Latin America as opposed to other forces which may be dangerous but are not nearly as dangerous and pervasive to the instability of Latin America and, indeed, to this Nation itself.

So Mr. Chairman, I thought I would again commend you for your perspicacity in seeing and sticking to it as it relates to the conduct of these hearings and, more importantly, for the day-in and day-out work, for the hours that you personally put in. I do not know how many people know that Senator Kerry put in many, many, many hours just last evening with his staff deposing witnesses, et cetera.

So this is not just that he comes and chairs these hearings the day, but there is a great deal of work and research on the part of the Senator and his staff.

Senator KERRY. Thank you very much. I have not heard the word "perspicacious" in years. I appreciate that. Whatever it means, I will accept it.

I am very appreciative, Senator, and I am very appreciative of your taking the time during this break. I really mean that. You have been most helpful in this. You have been helpful in securing protection for some of our witnesses.

These are hours where the Congress is not in session. We all have very pressing demands on us, but you have chosen to be here, and you have long been interested in this. I appreciate it, and I know others appreciate it.

I want to take a moment to make one comment, and I am not trying to turn these hearings into anything other than what they are. This does, however, involve narcotics. It concerns me greatly. That is the situation in Panama.

At our least hearings, we spent a great deal of time detailing the nature of General Noriega's lifestyle and criminal involvement. We came to see a man who has been duplicitous, to say the least, quadrupulous, if you would.

He has played us against Cubans, Cubans against Nicaraguans, Nicaraguans against Salvadorans. This man has been on every side of the fence.

Even while the United States of America has committed more than $1 billion over these years to El Salvador in the effort to create stability in that country and to try to find the peace, this man, while we were dealing with him, was selling weapons and making a profit to the very people who were fighting the government, to the rebels.

Even while we were decrying Cuba and while this administration has refused to deal with Cuba, this man, to our knowledge, was transferring high technology to Cuba and bringing Cuban effects to the United States against the embargo that we have placed on those goods.

This man has worked directly against the policy interests of this country, let alone polluted our streets and literally contributed to the killing of cops and kids and adults in America.

We saw fit to indict him. We made a stated policy that he was a criminal and that by that indictment we thought the justice system of this country should have its moment to try him.

Then through other hearings, through the testimony of Milian Rodriguez, Jose Blandon, Leigh Rich, and others, we learned of how this man has made millions, may be worth $800 million, has bought chateaus in France, has bank accounts, and has secured a lifestyle which is reminiscent of that of Imelda and Ferdinand Marcos.

We have learned how he has even involved himself in murder, and we have seen how he has destabilized a whole region, how he has formed a relationship with the Colombian drug cartel, and how he has made difficult our policy interests in that region as well as the lives of people in that region.

This adminstration seems adrift, totally adrift, on its policy in the region: People within the administration at odds with each other; the President on vacation; the Secretary of State traveling on another important issue, not to be faulted for that but nevertheless traveling on another issue; and the Secretary of Defense in another part of the world on another issue.

I believe that nothing is going to be more important to the outcome of a host of events in the region than how we deal with this question of Panama. It will send a message to other countries and Latin and Central America about U.S. sincerity and commitment to the goals that it espouses.

It will make a statement to other countries in the region about our sincerity and commitment to the war on drugs.

It will make a statement to other countries in the region about our commitment to democracy itself.

Yet, we really today as we sit here do not have a clear sense of what our policy is. General Noriega knows that, understands that, and is taking advantage of that.

Cuba is moving in. There are weapons, there are advisors, there are political teams, and General Noriega is being taught by the Cubans now how to issue his own currency. He is being taught by the Cubans how to eliminate the opposition, identify them, and then take them out of the way.

The process is such that because of this administration's lack of resolve and clear policy, the very thing they have sought to prevent from happening in Nicaragua for 7½ years at the cost of millions of dollars may happen in a matter of weeks in Panama by virtue of the Cubanization of Panama and the creation of a whole new access between Cuba, Panama, and Nicaragua.

I think that nothing could be more clear in terms of American foreign policy interests. Either the policy of this country as stated by the President that General Noriega has to go, as stated by the Secretary of State that he has to go, is or is not our policy; but you cannot have the Pentagon and others playing it two ways and trying to be safe against the potential that this man may stay.

By merely allowing for the possibility as a matter of American policy that he may stay, you in fact create the reality that he may stay, and you send him a message that the very dealings which he has had through the presidency of Barletta, through the firings of other colonels and generals and so forth, is the same policy today, one where Tony Noriega may be able to survive.

So, my hope is that before it is too late, this administration is going to come to grips with this policy, because I think if they do not develop one quickly that we are going to live with the repercussions of this in many different respects in places like Ecuador and other countries where they are sitting there saying maybe we should have a coup, maybe we should take over the country.

The message will be what if the United States embargoes us? The message will have been, well, an embargo is meaningless. They beat it in Cuba, they beat it in Panama, and now they can beat it here, too.

So, I hope that we are going to come to grips with this issue, and I hope we come to grips with it quickly.

Senator D'AMATO. If I might, Mr. Chairman, I think you are absolutely correct. I have had some discussions, and some heated ones, as a matter of fact, with the Defense Department and with Secretary Carlucci. At no time did I threaten or did I impugn or mean to impugn the integrity or the courage of any individuals.

But I do believe, Mr. Chairman, that the Defense Department, as a result of their counseling in this matter, in dealing with Noriega over a period of time, have basically been the chief architects of inaction, for a variety of reasons, and where we could have, I believe, demonstrated some sure and swift action to bring about the removal of Noriega a month ago, as a result of that policy of inaction, we now have a situation that is far more difficult, far more dangerous, that has brought about a change in the relationships very significantly with the deposit of weapons and ammunition from Cuba that we know, that has been verified, with the changing of his guard, it has been Cubanized, that we know as well, where we now have detachments of the military who follow him, and the question as to whether or not there have been increased numbers of Cubans dispatched to Panama is one we have not been able to verify, but that is a very real question that remains open.

But certainly the situation has become much more dangerous, and what could have been achieved, and I think should have been our action, and I cannot help but comment this morning, we saw Panamanians, as I feared, turning on the United States and saying very clearly, "You helped put Noriega in, you armed him, and what are you doing to remove him?"

These are the same Panamanian citizens who have over a period of time demanded Noriega's removal, who have put themselves at risk and jeopardy, and who are now beginning to look upon the United States as having a lack of courage as it relates to dealing with the situation.

The situation is difficult, but it calls for swift action by the United States bring about his removal. We have not had the kind of policy necessary to deal with the situation.

Thank you, Mr. Chairman

Senator KERRY. Thank you, Senator.

Mr. Rodriguez, would you stand, please?

Would you raise your right hand?

Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. **Rodriguez**. I do.

Senator **Kerry**. Thank you.

Would you sit, please.

Would you pull the microphone up close to you.

Would you identify yourself, please, for the record.

STATEMENT OF RAMON MILIAN RODRIGUEZ

Mr. **Rodriguez**. My name is Ramon Milian Rodriguez.

Senator **Kerry**. And you are the same Ramon Milian Rodriguez who testified now three times before this committee previously, twice in closed session and once in public?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. You are currently incarcerated, Mr. Rodriguez?

Mr. **Rodriguez**. Yes, I am, sir.

Senator **Kerry**. And you are serving a term of how many years?

Mr. **Rodriguez**. I am serving a 43-year prison term.

Senator **Kerry**. OK.

What are you serving time for?

Mr. **Rodriguez**. Money laundering.

Senator **Kerry**. You were arrested in Florida and about to leave the Fort Lauderdale Airport with $5 million some in cash; is that accurate?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. In your own Lear Jet; correct?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. Now, there are other aspects of the arrest process and subsequent process which I am going to go into at the next hearing and so forth, but what I want to get into today is the heart of the money-laundering effort. I know you have testified to some of this, but I want to put it in a context today for some people who have not heard it.

You were laundering money for the cartel for what period of time?

Mr. **Rodriguez**. Roughly from 1979 to 1983.

Senator **Kerry**. And at the time you were arrested, you have told us that you were moving—how much cash were you laundering on an annual basis, approximately?

Mr. **Rodriguez**. By 1983 I was handling in excess of $2 billion a year.

Senator **Kerry**. And you had control over some $11 billion of assets; is that accurate? Or not control, but you were able to——

Mr. **Rodriguez**. I influenced the flow of approximately that much money worldwide.

Senator **Kerry**. You testified previously that you frequently traveled to Panama and elsewhere in order to make payoffs and payments; is that accurate?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. And you transferred very significant amounts of money through Panamanian banks.

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. It was not uncommon for you on occasion to buy a $200 or $300 million certificate of deposit; is that accurate?

Mr. **Rodriguez**. That is correct.

Senator **Kerry**. Now, I would like to go into some of the flow of cocaine and drug trafficking and some of the aspects of the cartel which we did not have an opportunity to touch on, and get a little deeper flavor of what it is about.

And I would ask you to look at the chart here, and if you would describe to us—this is a chart which you have drawn up for us; is that accurate?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. Can you identify for us what that chart shows?

Mr. **Rodriguez**. OK. Basically it identifies the flow of cocaine from the leaf, right through the raw—to the finished product, and its entryway into the United States, and the countries mentioned——

Senator **Kerry**. Well, what countries—where does it originate? Take us through it, name the countries.

Would you bring the mike a little closer to you?

Mr. **Rodriguez**. Sure. OK, if you will notice, Bolivia is in a little bigger type than the rest of the countries because the Medellin cartel's main flow of raw product comes out of Bolivia. It doesn't exclusively come out of Bolivia, you know, I want to be just in the presentation.

Senator **Kerry**. Before we go further, I want to do one other thing with you which I have cautioned other witnesses about, I have cautioned you on a number of different occasions, but I just want to be absolutely certain that we are on record about it and clear, and that is that at any time has any discussion taken place between you or any member of my staff or this committee regarding your current incarceration and an effort to try to reduce your sentence or anything?

Mr. **Rodriguez**. No, sir, and I am adamant about stating that I have no deal. I am not here under some agreement to reduce my sentence, and if anything, because I have testified before you, I have lost many privileges prior to it.

Senator **Kerry**. And you are now living in protection and in isolation; is that accurate?

Mr. **Rodriguez**. Yes, I am in isolation as a result of my testimony.

Senator **Kerry**. And in addition to that, I have cautioned you, and I do so again, that this committee will not hesitate should it find that you have not told us the truth, to bring the full weight of the law with respect to the pains and penalties of perjury against you.

And you understand that; do you not?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. So, in fact, if you do not tell us the truth, whatever chances you have ultimately for parole—you are serving a 43-year sentence—would be reduced; is that accurate?

Mr. **Rodriguez**. Absolutely.

Senator **Kerry**. And you understand that.

Mr. **Rodriguez**. I do.

Senator **Kerry**. You have also offered on a number of occasions—well, I will hold off on that.

Let me turn your attention again back to this chart. You were describing Bolivia as being more significant.

Mr. **Rodriguez**. Well, you know, I should point out that I stopped working for the cartel in 1983, effectively, in their operations. That could have changed, but that chart indicates what I knew to be at that time, and at that time Bolivia was much more significant than the other countries.

You get the raw product out of basically those four countries.

Senator **Kerry**. Would you name the countries for those who cannot see the chart?

Mr. **Rodriguez**. OK, Peru, Bolivia, Brazil, and Ecuador. In those countries, in the jungles, they produce the paste. The paste is then transported to Colombia. I have used the city of Medellin because that is the city where the management resides. But all of the processing obviously is not done in the city of Medellin. Once the——

Senator **Kerry**. The processing is done in many jungle processing plants; is it not?

Mr. **Rodriguez**. Yes. There have been, of course, various experiments from having one central processing laboratory to many scattered ones, and the situation is always fluid. You know, I don't think you can say that it is ever fixed in the way it is done, but it gets manufactured in Colombia.

Then all the countries mentioned underneath are——

Senator **Kerry**. What are those countries? Could you list them?

Mr. **Rodriguez**. OK, they are Mexico, Guatemala, Honduras, Nicaragua, Costa Rica, Panama, Bahamas, Jamaica, and the Cayman Islands, serve as staging areas for the eventual delivery into the United States, and of course, all roads lead to the United States.

Senator **Kerry**. Are there any shipments to other parts of the world, or are those supplied from other parts of the world?

Mr. **Rodriguez**. No, there were shipments to Europe out of Colombia, and I did not handle anything——

Senator **Kerry**. You were never involved in the European?

Mr. **Rodriguez**. No. So that basically is the flow of the raw product all the way to the finished product.

Senator **Kerry**. Now, what level of corruption is involved to get the paste from the producers to the manufacturer to the distribution chain?

Mr. **Rodriguez**. Well, you know, all of these countries mentioned are heavily compromised at army and governmental levels. You know, you could not have such major efficiency if you didn't have cooperation from all the people, and I would say that the level of cooperation is quite high.

Senator **Kerry**. Can you give us, I think you have told us a variation on the amounts of money that it takes to buy the various officials? I mean, what is the range, from $100 to many hundreds?

Mr. **Rodriguez**. Oh, it ranges from hundreds of dollars to millions of dollars, depending on the strength and power of the individual, what he can give you in exchange.

Senator **Kerry**. Have you personally paid people other than General Noriega?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. In many of the countries mentioned there?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. We have agreed, incidentally, to go into some of those names in private session, but are some of these people leaders, public officials?

Mr. **Rodriguez**. Yes.

Senator **Kerry**. Elected?

Mr. **Rodriguez**. Elected officials as well as——

Senator **Kerry**. Military officials.

Mr. **Rodriguez**. Military officials.

Senator **Kerry**. And is there any—can you say whether or not some of those countries are easier to operate through than others?

Mr. **Rodriguez**. I would say that they are all pretty easy to operate in. You know, all that matters is the level of economic assistance you are willing to give them, but I wouldn't say that there's any country that's extremely difficult to deal with.

Senator **Kerry**. Now, you have drawn up a chart which you have labeled the "Drug Industry Hierarchy and the Distribution of Profits."

Can you describe that to us?

Mr. **Rodriguez**. OK. Well, I drew that chart up for your staff to really show the difference between profits in the industry. If you will notice, you know, you start with the growers that are the most numerous of the narcokleptocracy. Yet their profits are the smallest in the hierarchy.

From them you go to manufacturing. Manufacturing involves a less number of people, a little more expertise. You go on up to transportation, again, a smaller number of people, more expertise. Then distribution. There, that distribution is really foreign distribution because once it gets into the United States and the numbers of distributors are immense—I am talking about the foreign distributors for the cartel.

Senator **Kerry**. The pickup in Colombia and the transfer through the countries, the transshipment.

Mr. **Rodriguez**. Right, through the countries to the point in the United States.

Further up we get into government, army, and banks that are an integral part of the operation; management, and eventually to the drug lords. And as you can see on the side, the higher you are on the pyramid, the higher your profits are.

Senator **Kerry**. Now, you talk about the banks and the other aspects of it. I want to get into that. You were moving an enormous amount of cash; correct?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. And this is heavy, it is bulky.

Mr. **Rodriguez**. It is a logistical problem.

Senator **Kerry**. How would you move many millions of dollars each week with such impunity? Were the airports just totally open? Was there no process by which people were——

Mr. **Rodriguez**. Basically there is no interdiction, no effective interdiction for money. The problem that a major bulk launderer encounters is not with authority but with all the various security problems of any bank. You are dealing in cash in gross amounts, and you are afraid you are going to get ripped off by thieves. You know, that is really the danger, not authorities, per se.

Senator KERRY. What is the significance of the pyramid you have described here?

Mr. RODRIGUEZ. Well, I was trying to explain to your staff why the efforts of the American Government are ineffective because the attacks are always aimed at the wealthiest portions of that pyramid, the best equipped, the portion with the best minds, the portion with the most resources. You know, if you are going to have a drug war, then you should have a war, then you should have a war along military lines, and in military theory, you usually don't attack your enemy at his strongest point.

In the drug war, the attacks are aimed at the enemy's strongest points, and therefore they are somewhat ineffective.

Senator KERRY. Well, I am going to come back to some of your concepts about that.

Incidentally, since you have testified before this committee, and in fact, you came to this committee over a year ago, and we spent a certain amount of time trying to check the things you told us and find corroboration, and indeed, have found significant corroboration, obviously, for many parts of it, has any member of the law enforcement community come to you to debrief you?

Mr. RODRIGUEZ. No, sir.

Senator KERRY. No person from DEA?

Mr. RODRIGUEZ. No, sir.

Senator KERRY. No person from Treasury?

Mr. RODRIGUEZ. No, sir.

I have, to be perfectly fair, I spoke to some gentlemen from IRS for about 2 hours, and that was——

Senator KERRY. I am surprised they have not spent more than 2 hours with you.

Mr. RODRIGUEZ. Well, actually, I think they were more concerned with trying to find my wealth than anything else.

Senator KERRY. But you have had an ongoing struggle with the IRS; have you not?

Mr. RODRIGUEZ. Oh, yes. We have our own war.

Senator KERRY. Let's leave that aside.

But in terms of the information that you have—I mean, there is more information that you have not given us; is that not accurate?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. And you have explained that to me, and I understand it.

But you are willing to cooperate; are you not?

Mr. RODRIGUEZ. Oh, yes, I'm willing to cooperate. I don't want to die, but I'm willing to cooperate. There is a fine line there. [Laughter.]

Senator KERRY. I think it is a very pronounced line.

Now, in transporting this amount of money, you testified to us before that you, in order to deal with this, created special boxes in order to transfer that; is that accurate?

Mr. RODRIGUEZ. Well, we set up a whole system, and the boxes were part of the system.

Senator **Kerry**. And I recall asking you, you told me you created some boxes. I said "That was interesting; do you have any?" And you said "You had a whole warehouse full"; correct?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. And you said you could have them transported up to me very quickly.

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. And I want the record to show that indeed, within a matter of days, I had in my office a number of boxes which you had designed, and I would like to show them just for the record.

You had different sizes made to transport money; correct?

Mr. **Rodriguez**. Sure.

Senator **Kerry**. And back there, let me just hold one of these up. Is this Consolidated Courier Services, did you create that?

Mr. **Rodriguez**. Yes, sir, that was the main corporate vehicle we used for shipping our money.

Senator **Kerry**. And it has an airplane and the world and a truck, and it says courier pack, and you had these made?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. And you would just pack money in these?

Mr. **Rodriguez**. Yes. That happens to be our small box.

Senator **Kerry**. How much money could you put in this box?

Mr. **Rodriguez**. Well, that box could hold a little less than $1 million in $100 bills, but you know, each box had its—if you open it up, you can see that it is exactly the size of a bill.

Senator **Kerry**. You are right. I had not done that.

So, you just stacked them in like that; correct?

Mr. **Rodriguez**. Yes, sir. If you have them banded professionally in a bank form, they just fit right in there perfectly.

Senator **Kerry**. And this is how you would transport them on an airplane?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. Palletized?

Mr. **Rodriguez**. Yes, sir.

Senator **Kerry**. You just pack them up on a pallet and stuff them in an airplane?

Mr. **Rodriguez**. You have to admit, if you get a bunch of those boxes together and if all the trucks say Consolidated Courier, and the planes say Consolidated Courier, and the personnel has overalls with the logo on it, and the pilots all have the right uniforms, it looks like a very legitimate operation. I mean, people would actually ask us where we were shipping stuff so that they could use our service.

Now, that is a larger box.

Senator **Kerry**. And also, what would you do, pack the others in this?

Mr. **Rodriguez**. No. That was just——

Senator **Kerry**. You would just pack loose bills in that?

Mr. **Rodriguez**. Oh, no. All the bills were always in $100 bills——

Senator **D'Amato**. Really, and how much in this one? How much could you pack in this one?

Mr. RODRIGUEZ. I don't quite remember. I believe that's a box that held, I think, $300,000 in twenties, about $600,000 in fifties, and about maybe a couple of million dollars in hundreds.

Senator KERRY. A couple of what?

Mr. RODRIGUEZ. About $2 million in hundreds, I think.

Senator KERRY. And no one checked at the airports? You would just drive up?

Mr. RODRIGUEZ. Right.

Senator KERRY. Would you have access to the flights?

Mr. RODRIGUEZ. Yes.

Senator KERRY. Or would you put them through the normal shipment process?

Mr. RODRIGUEZ. Well, you have to understand the airline industry. We went through the normal process, but the normal process was to have access to the flights, and we, of course, had personnel at all the airlines to ensure that our pallets——

Senator KERRY. You had your own personnel at the airlines?

Mr. RODRIGUEZ. Well, we had airline personnel on our payrolls to ensure that our pallets were not left on the runway. During this period of time I'm talking about, there was a lot of activity, a lot of cargo to South America, and there was frankly more volume of merchandise than planes to fly it out. So, there was always the danger of having your merchandise left on the runway, per se. So, we always made sure our pallets were loaded on last in, first out.

Senator KERRY. That is a basic accounting principle, is it not?

Mr. RODRIGUEZ. Right.

Senator KERRY. LIFO, right?

Mr. RODRIGUEZ. Right.

Senator KERRY. I would like you to describe also the dealings with banks. I have got to tell you, I am so—I mean, I am mindboggled a little bit by the way in which you described your dealings with banks, and I have been through it with you again and again, and you absolutely state that this is the way it happened. I would like to go into it.

You have testified before this committee that you would regularly transfer $200, $300 million CD from one bank to another or from Panama to a bank; is that accurate?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. And who would put you in touch with someone at the bank to be able to do that? Did they understand, or did they just think—did they understand you to be a legitimate business person? Did you camouflage that?

I see you smiling. Why?

Mr. RODRIGUEZ. Well, it is ludicrous to think that a 28-year-old kid, which is what I was at the time, could handle that much money from a legitimate business source. You know, I wasn't on the board of any of the major U.S. corporations or anything of that sort, so it wouldn't have washed had I tried it, but the answer is, I did not try it.

You know, the banks were cognizant that we were dealing in dirty money.

Senator D'AMATO. Are you saying, Milian, that they had every reason to believe that these large sums of cash which you regularly put into certificates of deposit going into the tens and hundreds of millions of dollars could not have come from any legal source, given your age, given the lack of any substantial business cartel—and I am talking about a legitimate business cartel—that was identified?

Mr. RODRIGUEZ. Yes. Not only that, but it was also my job to let the bankers know that this money——

Senator D'AMATO. There was more to follow if they handled these things correctly?

Mr. RODRIGUEZ. That, but that they had to sort of remember that this type of money required some respect that they might not give other types of money. We did not want them talking about it, we did not want them cooperating with American authorities if they expected to continue having our business, and that there are plenty of examples of bankers that, you know, were involved knowingly.

Senator KERRY. Now, Milian, let's be very precise about this as we go further.

You dealt with banks in New York?

Mr. RODRIGUEZ. Yes, sir, I did. I've dealt with banks all over the world, and of course, the major banks, the major money center banks are in the United States out of New York.

Senator KERRY. You named some of those banks previously, did you not?

Mr. RODRIGUEZ. Yes.

Senator KERRY. What were some of those banks?

Mr. RODRIGUEZ. Well, I named some. I used Citicorp, Bank of America. And I don't want to be unfair to those banks. All of them are involved. The fact that I named a few does not absolve all the other ones or particularly——

Senator KERRY. Now, describe how the transaction would take place. Would you ever do this by telephone or did you always do it personally?

Mr. RODRIGUEZ. No, all the transactions were all done in person.

Senator KERRY. What level person did you meet with? Did you know the people you were meeting with?

Mr. RODRIGUEZ. In Panama, yes. Once we got out of Panama, there were systems in place to shelter not only the American banks, but myself as well. After all, we wanted to have a very close circle, to make sure that it did not get infiltrated in any way, and that security was tight.

So, we went through some pretty stringent requirements to deal in the United States.

Senator KERRY. Money laundering has taken many different forms. Most cash businesses have lent themselves to some kind of money laundering; accurate? Or do lend themselves. It doesn't mean they've done it, but they lend themselves to it?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Is money laundering of the kind of money, size of money you're talking about, more difficult than that?

Mr. RODRIGUEZ. Oh, it is difficult, because again you have a logistical problem. You have the sheer weight and size and volume of which you're dealing with.

Senator KERRY. Well, describe for us what would happen? You shipped the money down to Panama. The money is deposited in Banco de Panama or another bank; right?

Mr. **Rodriguez**. Right.

Senator **Kerry**. Then what happens?

Mr. **Rodriguez**. Once you get the money into the agency that deals directly with the Federal Reserve——

Senator **Kerry**. What agency is that?

Mr. **Rodriguez**. Well, in Panama it was Banco Nacionale de Panama, the bank that had a Federal Reserve account. Once you got it there, you would notify the Banco Nacionale de Panama into which banks' accounts you wanted the money credited to.

Now, if we—let's take a shipment of $20 million. It might involve five banks. You would tell Banco Nacionale de Panama, here's $20 million, I want *x* number of millions to the account of this bank, and just give them a sheet to go through so they can work out the journal entry.

Once you had that step done, then you would go to the banks individually and tell them: "OK, this morning I put $5 million in your bank; that $5 million is for this list of accounts within your bank." And then the bank would take it from there.

That way, you were able to keep the knowledge of the accounts from Banco Nacionale de Panama and you allowed the smaller bank to use their cutout accounts to keep us from knowing the eventual destination of the money. And every step was compartmentalized, so that if there was ever a leak at any level it could be found easily and taken care of.

Senator D'**Amato**. With the Panamanian banks, were they a key to your money-laundering operation back between 1981 and 1983?

Mr. **Rodriguez**. Well, yes. The Panamanian banking law was a key.

Senator D'**Amato**. The banking system in Panama, more precisely?

Mr. **Rodriguez**. Right.

Senator D'**Amato**. Let me ask you, in light of what has taken place, Milian, in the closing of the banks now in Panama, would that have presented a major problem for the cartel in 1983, if what has taken place today had taken place then?

Mr. **Rodriguez**. It would have been an inconvenience, not a major problem, because again we always had more than one system and one available country.

Senator D'**Amato**. What other, then, steps would they have taken if that were to have taken place in 1983 and you were in the position that you held? What would you have done? What would you have had to do to continue that money flow?

Mr. **Rodriguez**. I would switch our operations overnight to Curacao, and then started looking for another country. Now, I say Curacao because that was my——

Senator D'**Amato**. What about the Bahamian banks?

Mr. **Rodriguez**. I could have, but the Bahamas was not a country that I liked to deal with.

Senator D'**Amato**. So, what you're saying, and this would be some conjecture on your part, that today, notwithstanding the closure of the banks in Panama and that system, that you have no doubt that the cartel has just moved that money-laundering operation offshore to other banks, such as in Curacao and other countries?

Mr. **Rodriguez**. Yes. First of all, Senator, there was plenty of warning. You know, I think that when I first appeared before the committee, it served as putting the cartel on notice.

There is no question that there was a flight of dollars out of Panama, and to be fair, you did destroy the laundering industry in Panama. So, what has happened hasn't been totally fruitless. You have taken out a very good asset for the cartel, there is no question about that.

The question is will you be able to do so——

Senator **D'Amato**. Let me ask you. We had a witness yesterday, Mr. Mayer, who testified as to certain of the things dealing with the Federal Reserve that would more accurately follow that flow and curtail these large shipments of money.

Do you have any thoughts? The last time you were here, we asked you—and I still look forward to the day that the Treasury visits you to get some of your ideas, some of our Treasury officials, not in terms of where your assets are, but how to deal effectively in this money-laundering problem.

Do you have any thoughts on, how would we deal with Curacao and the Bahamas and these others?

Mr. **Rodriguez**. OK. Not all money that goes out comes back. So, you have to have an exact set of parameters. But some of it comes back, all right. And the money that comes back comes back, the cash money that comes back comes back through the Federal Reserve.

Now, the Federal Reserve has the power not to accept cash from other money center banks if they don't want to. I don't see why you can't require the banks sending cash up to identify the account numbers.

Senator **D'Amato**. The account numbers and sources, and if they are legitimate sources there should be no problem?

Mr. **Rodriguez**. If they are legitimate, there is no problem. If they're not——

Senator **Kerry**. Let me ask, in furtherance of that issue, weren't you during the time you were doing this, were you subject to the $10,000 cash limitation without disclosure?

Mr. **Rodriguez**. I was subject to it.

Senator **Kerry**. But that didn't deter anything?

Mr. **Rodriguez**. No. I would say it helped us.

Senator **Kerry**. Why?

Mr. **Rodriguez**. Because by filing the forms, we were always able to justify large cash amounts on our person. And if you——

Senator **Kerry**. What forms were you filing?

Mr. **Rodriguez**. Form 4790, which is the currency transaction report. We found—we always probed the system. We found that there was nothing in the system for following up a form 4790.

And I will give you examples. If you filed it, it just got put in a file and there was no one that did anything with it. If you showed up at an airport to a customs agent and handed him a 4790 with $2 million on it, the fellow would look at it, say thank you very much, throw it in the file that was marked 4790's, and you just left the country.

So, by probing the various forms and systems, we were able to determine that, rather than hurting us, these forms were helpful to us. And I always filed forms.

Senator D'AMATO. It was kind of like a badge of authority, that you had been OK'd simply as a result of your having filed this? You carried it?

Mr. RODRIGUEZ. Right. I mean, they obviously weren't counting, verifying the money, nor asking you the source. So, that was just too good to give up. It was something that had to be used, and it was used extensively.

Senator KERRY. You've talked to us at one point about the reverse process you would use that made it more secret, in effect?

Mr. RODRIGUEZ. Yes, that is what we went through.

Senator KERRY. Can you describe that to us?

Mr. RODRIGUEZ. OK. The normal banking transaction is—let's just use $1. The individual with the $1 goes to the bank teller, deposits it into the account, the bank teller counts it, gives a receipt.

Then the bank takes that $1, takes it over to the equivalent of the Federal Reserve in their country. The Federal Reserve counts it and gives them a receipt, and then that $1 either gets sent to another bank or it gets sent to another country or back to the United States, depending on where the need is.

That leaves a trail that can be followed. By going in reverse the way we did, by going to the Federal Reserve equivalent and getting immediate credit on the money——

Senator KERRY. And getting what?

Mr. RODRIGUEZ. Immediate credit. First of all, we did not have to wait then 15 or 20 days for the money to be cleared and verified. So, we saved a substantial interest payment on loans that way.

Second, by just identifying the bank that was going to receive the deposit, it kept the Federal Reserve equivalent totally ignorant of the other bank's inside operations. And then, by notifying the banks ourselves to which accounts the money went into, the bank was able to keep us from knowing the ultimate destination of the money.

So, it was very effective as far as eliminating something that's called in accounting terms the "audit trail." We completely did away with it.

Senator KERRY. Did you also bypass the U.S. banking system by taking large sums to other countries?

Mr. RODRIGUEZ. Well, yes, and just by not using a U.S. bank account you were doing wonders as far as laundering was concerned.

Senator KERRY. Was there any involvement—well, I think before I ask that question let me turn to this chart and ask you to describe—you've titled this "The flow of narcodollars."

Mr. RODRIGUEZ. That is basically what I did. We took the dollars in the United States and we used basically those four countries to deliver our cash to, which is Panama, the Bahamas, Curacao, and the Caymans.

From there, we didn't just take the money and leave it there. The money had to be put to work. We had, of course, the U.S. banks for our cash liquid funds, the European banks for other liquid funds, and then hard assets we purchased. And also a lot of the money went to expenses.

And of course the farmers in the growing area get paid in cash. So, we would send a lot of cash down there just to pay these people that way.

Senator KERRY. On any given day, was there a minimum amount of money that you had sort of just available to you in terms of bank transfer?

Mr. RODRIGUEZ. Well, inside the United States we always had a float of between $50 and $100 million daily.

Senator KERRY. A float?

Mr. RODRIGUEZ. Yes. If you count all the safe houses and money in transit and so forth, in cash dollars.

Senator KERRY. Did you ever launder any money through Japanese banks?

Mr. RODRIGUEZ. No, not Japanese. I have done transactions out of Hong Kong, but by that time the money was already there and we were just doing other operations with it.

Senator KERRY. Now, describe for us a little bit, if you will, Mr. Rodriguez—the cartel has been described to us in various ways by witnesses so far. Everybody has described it as being larger than most people think, insidious, very, very dangerous, and so forth.

Do you agree with those assessments? How do you characterize it?

Mr. RODRIGUEZ. OK, I think the basic mistake being made by people that try to describe the cartel is that they fail to see that the cartel is a going concern. You know, there's a tendency to think that, because it is an illegal business, business terms don't apply. And that is a fallacy.

Whether it's legal or illegal does not mean that they're not subject to the same business constraints and the same business theories. The cartel is a going concern. If you do away with the leadership, there is management that is going to pop up to continue the going concern.

If the cartel stopped dealing in drugs today, it would still be a major horizontally and vertically integrated going concern. That is the only way to describe it.

Senator KERRY. What caliber of people are involved in this going concern?

Mr. RODRIGUEZ. That is another misconception. Everybody likes to believe that the cartel members look like the guys on Miami Vice: They all stick drugs up their nose and they all dress extravagantly.

The stereotype cartel management member, if you want an illustration, is a lot closer to what I am than what the Miami Vice type stereotype is like. They're all college educated, all reasonably sharp, all extremely wealthy and influential.

You know, it's something to be feared.

Senator KERRY. You know apparently who has replaced you in the job that you were doing; is that accurate?

Mr. RODRIGUEZ. Yes, sir, I do.

Senator KERRY. To a certainty?

Mr. RODRIGUEZ. To a certainty.

Senator KERRY. And you know where that person was educated?

Mr. RODRIGUEZ. Yes, sir. Harvard.

Senator KERRY. Being from that State, Harvard-educated?

Mr. RODRIGUEZ. Yes, Harvard Law School.

Senator KERRY. And are there considerable numbers of people with graduate degrees involved in helping to make the cartel's financial assets——

Mr. RODRIGUEZ. Yes. I would say all of the management team has advanced degrees in their specialty.

Senator KERRY. What—so I take it that when people have described the cartel as now invested in all kinds of legitimate things; that is accurate. Obviously, the money has to go somewhere, and so it buys businesses.

What are some of the things it has bought that you know of, that you have invested for the cartel?

Mr. RODRIGUEZ. OK. Let's exclude the CD's, which—we bought newspapers, radio stations, TV stations, soccer teams, huge companies dealing in land and forestry. We have pharmaceutical firms, automobile agencies, construction. As I said——

Senator D'AMATO. Some of those businesses that were purchased, Milian, were they purchased here in the United States?

Mr. RODRIGUEZ. There are major investments in the United States by the cartel.

Senator D'AMATO. And if we were to ask you, do you believe that you could—and I'm not asking you to do that in private session, but do you believe that you could furnish the Committee and or its staff with some of those business interests that were purchased here in the United States?

Mr. RODRIGUEZ. Well, let me tell you what happened in 1983. Because I had so much information, everything that I had knowledge of was changed. Account numbers were changed, corporate structures were changed.

I know how things were in 1983. I wouldn't presume to tell you I know where they are now.

Senator D'AMATO. But you could furnish the committee with some information as it relates to those transactions prior to 1983, though?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. Let me say that the committee has in its possession now some of the business records of Mr. Rodriguez, and he has identified for us those companies which he set up as cutouts and those which were legitimate businesses, out of those numbers that we have.

So, we do have a certain amount of corroboration. We have the filings from the secretary of state in Florida, the legitimate corporate filings with the secretary of state's office, and the ID on a lot of those companies. There is obviously more that Mr. Rodriguez could give us.

Let me also assert here, and I want to make this very clear, this is the Foreign Relations Committee and we have undertaken this investigation to look at the impact of the cartel and the impact of narcotics trafficking on our foreign policy, on our relationships with other countries.

This committee doesn't have the ability—in fact, I think it is an enormous credit to the staff that we have had working on this that we have been able to go as far as we have. I don't have a grand jury. Subpoenas have to be voted by 18 people. And it is unusual for a committee like this to issue subpoenas.

This is the job of the Justice Department, and this is the job of the law enforcement community, which ought to have the wherewithal to be able to do it. And what I'm hoping is that we have lit a few fires here or will, so that the Justice Department will do what it is supposed to do.

Much of this information has been put in front of people in law enforcement over a period of 2 years, and I think part of the problem—and I asked Mr. Rodriguez why it is that, after he has testified to this publicly, he's willing to take a lie detector test, he's made himself available, he's totally open, and not one person has talked to him other than this committee.

That is not true. The U.S. attorney's office in Florida talked to him a couple of years ago, and I don't think they had any contact—have they had any contact with you since?

Mr. RODRIGUEZ. No, sir.

Senator KERRY. Before your arrest; is that accurate?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. So, while I appreciate the Senator's comments and, boy, do we want to get as much information as we can, this committee wants to at some point get out of the business of investigating and hope that those who are supposed to investigate will be able to do it and follow through on it.

Senator D'AMATO. Well, Mr. Chairman, let me suggest that the reason for my inquiry is exactly the sentiments that you've expressed as it relates to, I think, and I make this interpretation, your frustration and the frustration that I have that a witness like Milian Rodriguez, who is willing to undergo the polygraph examinations, who has demonstrated to date a keen awareness and interest and understanding of the cartel's operation today and certainly that which existed during the time in which he managed a significant dollar volume of its assets and its day-to-day undertakings, that he should I think be utilized and his resources and his knowledge.

And if it takes this committee or the Banking Committee and others to continue to gather some of the information that he has, maybe it will be that which lights the fire, as you've indicated, of the Justice Department and others in law enforcement and Treasury, et cetera, to undertake the kind of careful, comprehensive review of all of the facts.

And maybe it is because there is a reluctance to offer Mr. Rodriguez some form of gratitude, et cetera, in terms of reduction of his sentence for his cooperation. Now, we understand. We're big boys, we're in the real world. And certainly I would say as a Senator it would make sense to me, if we had somebody who could provide the kind of useful information that would lead to the successful implementation of programs to deal with the cartel that we have not had to date, that it would be well worth us at least entertaining that and certainly meeting with him by the Treasury and others.

So, I don't certainly look on it——

Senator KERRY. I agree with that, Senator.

Senator D'AMATO. I think the more we get this out public, the more opportunity we will have to get people doing what they should be doing.

Senator KERRY. There is obviously some other current flowing out there. When Mr. Rodriguez first testified here, he was described by some within the law enforcement community who were asked about his credibility as really a guy who ran a mom-and-pop-store kind of operation, which is quite fascinating in view of what he was saying to us, because in fact when he was prosecuted the South Florida Drug Task Force was on his case.

The prosecutor who prosecuted him made a great hullaballoo in court about the importance of this great catch, and he was given a 43-year sentence, which is a rather long, hardhitting sentence for a mom-and-pop-store operation.

So, it seems that there are those out there who want to have it both ways. He's a very serious and important catch, but at the same time, now that they recognize that he hasn't perhaps been used to the fullest, there is an effort to try to diminish that importance.

I don't think you can have it both ways. And I think before his testimony is finished in the course of the next weeks, other things may be clear about why people have not been interested.

We are going to proceed for a few more minutes, Mr. Rodriguez. Then we're going to proceed to the testimony of Mr. Palmer. And as I say, we are going to have you back as to other matters.

But I want to complete some aspects of this cartel thing, because I think it is really important. And you were describing, you say that there are people in all walks of life now who are involved in it. Is that part of what makes it so difficult to get at, because the tentacles are now so far reaching?

Mr. RODRIGUEZ. Yes, sir. You know, I think you have to realize that in Central and South America, the politics of the region, the fiscal policy of the countries, and drug dollars are inextricably intertwined.

You are in a position where U.S. banks are basically renegotiating the loans to South America, adding the interest to the principal, and very little cash gets there from banks. U.S. aid is not that significant, at least to the farmer.

Senator KERRY. So, this has become the significant staple of the economy of these countries?

Mr. RODRIGUEZ. Precisely.

They cannot do without drug cash, and because they can't do without it it involves the country's fiscal policies and it involves the regional politics.

Senator KERRY. Now, the State Department and others have praised certain countries for cooperating with the DEA, leading to substantial seizures of either cocaine or marijuana which is bound for the United States. Are those countries, let's say a Colombia for instance, are they really cooperating?

Mexico, is that real cooperation that makes a difference?

Mr. RODRIGUEZ. You know, if you are going to say that interdiction makes a difference and that is what you want, then it is a very simple matter for any country involved and for the cartel to arrange for the interdiction requirements of a particular country.

So, if we're talking about you want a certificate of cooperation and you tell them, we have to seize 2,000 pounds to give you a certificate, the cartel will give them 2,000 pounds for interdiction. After all, it's garbage down there.

It only becomes gold here in America. So, the bottom line is, you know, you're getting the cooperation you require, and the cartel is making sure they have that.

Senator KERRY. How do you break the back of the kind of judicious use of fear and intimidation which has been used in a place like Colombia?

Mr. RODRIGUEZ. Well, like I said, you have to have a coherent and totally cohesive policy.

Senator KERRY. Let's not deal with the sort of rhetoric of that, cohesive, coherent. We've all used those words. The question is what do you do? How do you break the back? What's going to make a difference?

You're a guy who has known how this works. What would make a difference to you? What would have an effect on your ability to be able to operate?

Mr. RODRIGUEZ. Take away their product, take away the growers.

Senator KERRY. How do you take away the grower?

Mr. RODRIGUEZ. Well, you subsidize U.S. farmers. Subsidize those guys. It's not going to cost you 1 percent of what it costs you to subsidize U.S. farmers.

Senator KERRY. f you start doing that, why wouldn't people simply take your subsidy and grow the stuff on the side anyway?

Mr. RODRIGUEZ. Well, with the subsidy you get some police power. But you know, the farmer goes from making $200 a year to $1,000 a year. So, in theory, you can buy them all for $800 a year.

Senator KERRY. But answer what I just said. Why wouldn't they take your money and the other guy's, too? Why wouldn't they take your $1,000?

Mr. RODRIGUEZ. Because I am saying just subsidizing them without police power is foolish also. You have to, in exchange for that——

Senator KERRY. But why wouldn't the cartel do the same thing to the police power that it does now, kill it?

Mr. RODRIGUEZ. Well, if you did that it would be a war, there's no question about it. They're not going to take it lying down, but at least you would be in there and you would be supervising the spraying.

Senator KERRY. What you're really saying is that you increase the cost of doing business for the cartel itself?

Mr. RODRIGUEZ. You would increase it. And again, if we are talking about——

Senator KERRY. Wouldn't that just raise the cost of the drug on the street?

Mr. RODRIGUEZ. Wouldn't that be wonderful? Wouldn't you want a kilo to sell for $50,000 a kilo again, as opposed to $12,000? It would certainly limit the use in the country. Price—you know, demand and price have some relationship.

Not only that, but if you're going to speak in terms of war, a classic war, military maneuver, is to cut your enemy's lines of supply. And attacking the growers is cutting the lines of supply.

Senator KERRY. What about limiting the ability of—I mean, you have moved huge sums of cash. If suddenly you can't move huge sums of cash because the banking process is stricter, you can't go to the Federal Reserve or the Federal Reserve has stricter requirements about its acceptance, wouldn't that place a serious crimp in your ability to deal?

Mr. RODRIGUEZ. Yes, it would, except that whenever you create a vacuum it gets filled by someone else. For instance, Panama created a vacuum absolutely. I opened up the paper a few weeks ago and I heard that Costa Rica is planning to open up an international banking zone.

You know, someone is going to fill the vacuum. Certainly it is good to create a vacuum in the first place, and you might be able to stop the people that want to fill the vacuum.

Senator KERRY. Well, I have additional questions, but I think what I'm going to do is—and let me just suspend for 1 minute here.

Senator D'AMATO. Mr. Chairman, let me ask. Mr. Rodriguez, in your opinion, how complete has the coopting out of the cartel been in regards to some of the foreign governments and the military powers?

Have we lost the battle? I think maybe that's——

Mr. RODRIGUEZ. You've lost the battle, sir. The foreign governments and armies are totally coopted. And those few individuals, those very few that are not coopted, are dead.

Senator D'AMATO. Or intimidated?

Mr. RODRIGUEZ. Yes.

Senator D'AMATO. Paralyzed by the fear, such as in Colombia?

What about Bolivia? How bad is it there? Do you know? You say that's where most of it's grown.

Mr. RODRIGUEZ. Well, I happen to—there are sections of Bolivia that are not controlled by the Bolivian Government or the army, and that is a fact.

Senator D'AMATO. Let me take you to another area. How about Brazil? That's another area that has received little in the way of attention, but in which indications are that there is even more and more growing, and it may become the major producer, if they are not now.

Mr. RODRIGUEZ. Not only that, but they are also getting into processing. Northern Brazil on the border with Colombia is an area that is perfect for the cartel, and I can tell you that the cartel operates there.

Senator D'AMATO. Now, as it relates to the officials in the government, let's say in Brazil, vis-a-vis dealing with this situation, have they lost their capacity or have we lost the capacity to energize them to do something?

Mr. RODRIGUEZ. Let me tell you something. Brazil presents an interesting problem. It's very large and there is a tremendous barrier between law enforcement in Brazil and the physical assets of the cartel. You have the Amazon in between.

They just simply don't have the money to deal with it.

Senator D'AMATO. So, you have accommodation? In a country like Brazil, it is the physical geography which makes it impossible, if not difficult, to deal with the cartel operating in certain areas?

Mr. RODRIGUEZ. Precisely.

Senator D'AMATO. And in other countries, such as Colombia——

Mr. RODRIGUEZ. And Bolivia.

Senator D'AMATO [continuing]. The political will to deal with it is nonexistent?

Mr. RODRIGUEZ. Precisely.

Senator D'AMATO. Now, given that as the situation, we come back to Senator Kerry's initial question. How would you then deal with this problem of attempting to stop the flow or the drug problem, the utilization of the farmer, where you have a government that doesn't cooperate to cut it off, and you can't really put in the kind of police action and it becomes difficult, if not impossible?

Mr. RODRIGUEZ. If you don't put in the police action, it is impossible.

Senator D'AMATO. Can you put in the police action where you have the situation that exists, for example, in Colombia, Bolivia, and Mexico? And I'm not saying give up, but let's look at the realities of the situation.

Mr. RODRIGUEZ. The realities are that these countries for once in their life have a weapon every bit as powerful as an IBM, and they somewhat enjoy seeing you fellows shake in your boots.

Senator D'AMATO. You believe that is part of the psychological situation?

Mr. RODRIGUEZ. Absolutely.

Senator D'AMATO. I have never heard it quite expressed in that manner, Mr. Chairman. But let me suggest to you that it bears on us to reflect upon that, that indeed these nations that may be weak, may be precarious, in a precarious financial position, et cetera, it may not be too difficult to see how they enjoy the flip side of the situation, where they are as dependent as they are on the drug dollars and by the same token can say well: United States, this is your problem; after all, you occasioned the demand, et cetera; so tell us how you're going to deal with it; and they rather enjoy this unique situation.

Thank you, Mr. Rodriguez.

Thank you, Mr. Chairman.

Senator KERRY. Just a couple of quick questions. Mr. Rodriguez, you visited some of the cartel's ranches or castles, as they're known; is that accurate?

Mr. RODRIGUEZ. Yes, sir.

Senator KERRY. And you've been to Hacienda Vera Cruz?

Mr. RODRIGUEZ. Yes, sir. I have been to just about all of the major cartel homes, ranches, and so forth at one time or another.

Senator KERRY. Did you communicate with Pablo Escobar when you were laundering money for the cartel?

Mr. RODRIGUEZ. Yes, sir. I kept in touch.

Senator KERRY. How frequently would you deal with Mr. Escobar?

Mr. RODRIGUEZ. Weekly.

Senator KERRY. The haciendas or ranches, these castles, as they're known, are effectively pretty self-sufficient entities, aren't they?

Mr. RODRIGUEZ. They are self-sufficient.

Senator KERRY. I mean, can you describe that? What does that mean?

Mr. Rodriguez. Well, they generate their own electricity. I think the only thing they need is a source of fuel. Everything else is either grown or there is substantial supplies.

Senator Kerry. They have their own airstrips?

Mr. Rodriguez. Oh, yes, their own airstrips.

Senator Kerry. Their own game parks?

Mr. Rodriguez. Yes.

Senator Kerry. In fact, didn't one have a zoo?

Mr. Rodriguez. Yes, sir.

Senator Kerry. And were you charged to buy animals for that at one point?

Mr. Rodriguez. Yes, sir. I've had—I've imported rhinoceros and other wierd animals that you wouldn't believe.

It's like I said, we dealt in a lot of things.

Senator Kerry. To what extent is south Florida affected by the drug profit and drug trade?

Mr. Rodriguez. Well, south Florida was a key entry point, as well as provided an area that was uniquely bilingual, so that the Colombians could operate in their own language. And it had again—well, it offered everything they could want close by.

After all, it's only a 2½-hour flight out of Colombia.

Senator Kerry. Just one note of interest before we close out with you for today. You mentioned to our staff that, just as an aside, you were saying how some people say that Miami Vice as a program on TV is very exaggerated and that it doesn't reflect real life in Miami.

But you told my staff something to the contrary; is that accurate?

Mr. Rodriguez. To the contrary of that?

Senator Kerry. Yes.

Mr. Rodriguez. Well, I would say that Miami Vice represents an accurate stereotype of the distribution side of the cartel.

Senator Kerry. You even said that some of the sets used by it were owned by drug traffickers?

Mr. Rodriguez. Oh, yes.

Senator Kerry. Is that accurate?

Mr. Rodriguez. Yes, sir. Some of the homes shown on Miami Vice are the homes of actual drug dealers.

Senator D'Amato. Really?

Mr. Rodriguez. Yes, sir.

Senator Kerry. And you know that because one of them was an exclient of yours; is that accurate?

Mr. Rodriguez. Yes, sir.

Senator D'Amato. Do you think the DEA knows that?

Mr. Rodriguez. I don't know what they know, sir.

Senator Kerry. Let me just remind people, Mr. Rodriguez—in fact, I have some stationery here. We all know and the Government admits that you had a fairly significant public accountant business which you had; correct?

Mr. Rodriguez. Yes, sir.

Senator Kerry. And in that context, you had many people as your clients.

Mr. Rodriguez. Many legitimate people also.

Senator **Kerry**. I understand that, and we will be going into some of those clients at the next occasion when we have that full day of testimony with the other people and go back into some of that history.

But I want to thank you today for sharing some other perceptions about how this money flows and the nature of the cartel.

We are going to resume with the testimony of Michael Palmer after a 10-minute recess. We stand in recess for 10 minutes.

[Recess.]

Senator **Kerry**. The hearing will come to order. We will resume now with the testimony of Mr. Michael Palmer.

Mr. Palmer, I would ask you to stand, please, and be sworn. Would you raise your right hand.

Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. **Palmer**. I do.

Senator **Kerry**. Thank you. Would you be seated, please.

I would ask you to identify yourself, please, for the record.

STATEMENT OF MICHAEL B. PALMER; ACCOMPANIED BY AXEL KLEIBOEMER, ESQ., COUNSEL

Mr. **Palmer**. Michael Palmer.

Senator **Kerry**. Mr. Palmer, you are appearing here pursuant to a subpoena of the committee, though I know you have been willing to make yourself available for service, and I want that in the record.

Yesterday in closed session, pursuant to your rights under the Constitution, you asserted the fifth amendment privilege and refused to answer a question. Based upon that refusal, I then made known to you the order of the Federal district court here in Washington, which has granted you so-called limited-use immunity.

And pursuant to that order of the Federal district court, you have been ordered to answer any questions put to you by this committee; is that accurate?

Mr. **Palmer**. Yes, it is, sir.

Senator **Kerry**. And you are aware of that order and are appearing pursuant to it?

Mr. **Palmer**. Yes, I am.

Senator **Kerry**. That order has been made a part of a closed session record. I now submit a copy of that order to be placed in the record in open session, and that will also be made available to the public.

[The material referred to appears in the appendix.]

Senator **Kerry**. Now, Mr. Palmer, also, pursuant to safety needs here and your current undertakings, we have agreed not to go into identifier issues, although we have done so in closed session. And we will keep those as a matter of closed record.

And so I'm going to begin at the beginning of the substantive testimony. We have developed a detailed record about your personal history and I'm going to begin at a certain point in that, as per our agreement.

Let me just for the record also identify the gentleman sitting to your left. He is your counsel, and would you state your name for the record, please.

Mr. KLEIBOEMER. Axel Kleiboemer.

Senator KERRY. Now, Mr. Palmer, you are a licensed pilot; is that correct?

Mr. PALMER. That is correct.

Senator KERRY. When did you become rated to be a pilot?

Mr. PALMER. Approximately 1966.

Senator KERRY. You became in fact a flight instructor; is that right?

Mr. PALMER. That is correct.

Senator KERRY. With a flight instructor rating, and an ATR rating?

Mr. PALMER. Yes.

Senator KERRY. You are rated on what aircraft?

Mr. PALMER. As far as type ratings, I don't have any type ratings on any aircraft.

Senator KERRY. What about—you have a multiinstrument and what else?

Mr. PALMER. Multiengine rating and single-engine rating and instruments and so on.

Senator KERRY. Now, at some point did you start to work with TACA Airlines?

Mr. PALMER. That is correct.

Senator KERRY. About what period of time was that?

Mr. PALMER. 1969 to 1971.

Senator KERRY. And what did you begin to do for TACA?

Mr. PALMER. I was a copilot.

Senator KERRY. How long did you work with TACA?

Mr. PALMER. Two years.

Senator KERRY. And did you then leave TACA and become employed with Delta Airlines?

Mr. PALMER. Yes, I did.

Senator KERRY. In what capacity did you work with Delta Airlines?

Mr. PALMER. I was a flight engineer and a copilot.

Senator KERRY. That employment with Delta lasted from what year until what year?

Mr. PALMER. 1972 until 1985.

Senator KERRY. Now, how did you first become involved in drug smuggling, Mr. Palmer?

Mr. PALMER. That was about 1977. I met a member of the Gerry Carroll smuggling organization and began working.

Senator KERRY. Is that the same Gerry Carroll that was identified by Mr. Vogel yesterday?

Mr. PALMER. That is correct.

And went to work with him.

Senator KERRY. Where did you meet him?

Mr. PALMER. The geographical location?

Senator KERRY. Well, was it in Florida?

Mr. PALMER. No, as a matter of fact it was—the meeting was set up in Indiana. We had a meeting.

Senator KERRY. And who set this meeting up?

Mr. **Palmer**. One of Carroll's people. I don't remember who. I think—well, he called me directly. We were put in touch by telephone and he called me and told me he was going to be at a certain hotel and asked me to come to a meeting. And he proposed this.

Senator **Kerry**. Did you know why you were meeting him?

Mr. **Palmer**. Yes.

Senator **Kerry**. And why had he been put in touch with you?

Mr. **Palmer**. Pardon me?

Senator **Kerry**. Why had he been put in touch with you?

Mr. **Palmer**. Well, because I was a pilot and he needed pilots.

Senator **Kerry**. Why did he think he could trust you?

Mr. **Palmer**. Well, that was at a time when the marijuana smuggling business was pretty much wide open. There was always a need for pilots, and I had a couple of friends that worked for him and——

Senator **Kerry**. Had you made it known to them that you might be available?

Mr. **Palmer**. They asked me if I would and I said, "yeah, I'd like to try it out."

Senator **Kerry**. So, you went and had your meeting with Mr. Carroll?

Mr. **Palmer**. That's correct.

Senator **Kerry**. What was the first assignment that you had in the Carroll organization?

Mr. **Palmer**. I worked—they had a small smuggling trip. It was about 1,000 pounds of marijuana into northern Florida. I worked the ground and handled the radio and helped with the unloading.

Senator **Kerry**. This was 1977?

Mr. **Palmer**. Approximately.

Senator **Kerry**. Was there any particular reason that, since they needed pilots, as a trained pilot you wound up working the ground?

Mr. **Palmer**. I think it was sort of just to break me in.

Senator **Kerry**. What was the next—why don't you describe for us the nature of that particular smuggling operation that you participated in?

Mr. **Palmer**. That particular operation I just described to you?

Senator **Kerry**. Yes, just to give us a sense of how this worked and what you were getting into.

Mr. **Palmer**. Well, it was—the aircraft was a Piper Navajo. It was based somewhere in the northern United States. I don't know where the base was. And it came down to Florida and refueled and then flew nonstop to Colombia, Guijuria Peninsula. It was loaded with marijuana, refueled, flew back nonstop to Florida, where it was offloaded, and then continued on to wherever the base was that the airplane was kept.

Senator **Kerry**. Was there any—were you aware at that time of the process for flight filing, for flight plan filing, and for avoiding detection? Was there a specific process?

Mr. **Palmer**. Things were pretty loose back then. I don't believe there was any real interdiction to speak of. There was no aircraft that I knew of that DEA, Customs, or the Armed Forces used in interdiction.

So, it was a pretty simple case. You didn't even—I don't even think there was a requirement by the FAA to file a flight plan if you were going to leave the country; only if you were going to come back in and penetrate the ADIZ. And so consequently it was pretty loose. There was a lot of that activity going on then.

Senator KERRY. At that point in time, then, you really became initiated to the so-called Gerry Carroll organization and that led to other trips; did it not?

Mr. PALMER. Yes, it did. It looked pretty easy to me, and so I went ahead and joined the organization and began flying for him.

Senator KERRY. When was your first flight?

Mr. PALMER. The location?

Senator KERRY. No, just when approximately? In 1977?

Mr. PALMER. Circa 1977, approximately.

Senator KERRY. What was that particular trip?

Mr. PALMER. That was again to the Guagiri Peninsula, back into the United States, and then I believe we went to Tennessee, all nonstop.

Senator KERRY. Two pilots?

Mr. PALMER. Right.

Senator KERRY. And you would take turns flying?

Mr. PALMER. That is correct.

Senator KERRY. How long a trip would that be?

Mr. PALMER. The trip down was about 8 hours, the trip back about 12 hours.

Senator KERRY. And how did you know where to go down there?

Mr. PALMER. Well, the Colombians would give a set of coordinates to Carroll and he would give them to us, and we would take a look at the map and try to flight plan how to reach that particular destination, and whatever topographical features we needed to identify it, to know we were close, that sort of thing.

Back then you didn't have radios on the ground, so we had to sort of navigate to where we thought the airstrip was and look for some sort of ground signal. It would usually be a sheet on the ground, something of that sort.

Senator KERRY. Then you would load on immediately right there?

Mr. PALMER. We would land.

Senator KERRY. Were you carrying cash with you at the time?

Mr. PALMER. I don't believe we carried any cash down at that time. They had—Carroll had an arrangement with the Colombians where the Colombians had some relatives in the United States, and whatever the payoff would be for the trip and associated expenses he would pay directly to, I believe it was, a woman, the sister of this guy.

Senator KERRY. Who was the Colombian connection?

Mr. PALMER. At that time I don't recall the name of the fellow that he was using. There was their predecessor after that, by the name of Rafael Espinoza, that became the supplier for the organization.

Senator KERRY. And he would supply you each time you landed?

Mr. PALMER. Right.

Senator KERRY. And see to it that the plane was loaded?

Mr. PALMER. He would make all the arrangements down there. He would be there.

Senator KERRY. Fuel?

Mr. **Palmer**. Fuel, and the marijuana and all the ancillary things that were needed to get the airplane back in the air and headed back north.

Senator **Kerry**. So, over this period of time, you played several roles, did you not? You flew as a pilot, you flew as a copilot, and occasionally you worked the ground operation and sort of crew operation back in the States?

Mr. **Palmer**. That is correct.

Senator **Kerry**. What States were you using as your offloading landing points in the United States?

Mr. **Palmer**. We used Georgia and Tennessee. A couple of times we used South Carolina.

Senator **Kerry**. North Carolina at all?

Mr. **Palmer**. Not for any offloadings; no.

Senator **Kerry**. For departures?

Mr. **Palmer**. We had an airplane based there at one time.

We also, we refueled in various States. The airplanes were always based up north somewhere, particularly with the Vogel organization. He kept all the airplanes up there close to where his house was.

Senator **Kerry**. Were all the trips that you made made as part of the Gerry Carroll organization?

Mr. **Palmer**. Up until 1979; yes.

Senator **Kerry**. And what happened in 1979?

Mr. **Palmer**. They had a smuggling venture that went bad.

Senator **Kerry**. Do you want to describe that for us?

Mr. **Palmer**. Well, the airplane hit something on the runway down in Colombia.

Senator **Kerry**. What kind of airplane was this?

Mr. **Palmer**. A Convair.

Senator **Kerry**. It was leaving Colombia with a load?

Mr. **Palmer**. Right. It hit a dike, I believe, at the end of the runway and staggered into the air. They had to throw all the marijuana out near the strip.

The airplane I believe staggered over to San Juan and made an emergency landing there. Meanwhile, the offload crew was up in Tennessee waiting for the airplane to come back, and there were several enforcement officials there waiting for the airplane to come back also.

And of course, the airplane never came back. But there was finally a confrontation over it, and there were some shots fired by the enforcement people and some people were arrested and so on.

Nothing ever came out of it because the airplane never came back and there was no real evidence. But that sort of forced the breakup of the Carroll organization. I quit the business, Carroll went his way, and so on and so forth.

It was about that time also that I believe—I don't think Vogel had up until that point, Vogel had been an active member.

Senator **Kerry**. This is Michael Vogel?

Mr. **Palmer**. Michael Vogel, right.

Senator **Kerry**. He was an active member of the Carroll group?

Mr. **Palmer**. Right. But he was also an active member with the Leigh Rich group and whatever else he was doing. And Carroll sort of had a rule that you work for me or you don't work for anybody, and they had a couple of falling outs over it.

And so Carroll didn't have Vogel participating in this particular venture.

Senator KERRY. And at some time, did you and Vogel continue to do business together?

Mr. PALMER. Yes. In 1981, I had been out of the business for a couple of years. And also, in Colombia there was a very, very strong enforcement effort mounted at that time.

Senator KERRY. Let me just ask you, did that kind of enforcement effort have an impact on you?

Mr. PALMER. It had an impact on us, because in the landscape of the smuggling empires we had—one of the jokes, Carroll used to call it unorganized crime. That was really pretty much the way it was. It was kind of—the organization, it was sort of like a joke. There were a bunch of guys thrown together that, you know, we would work every once in a while.

You never saw any guns or any serious—any disputes were always settled amicably and that type of thing. And at that time, he didn't have the kind of clout in Colombia to work when there was a serious enforcement effort underway down there.

That was circa all the way up to, like I say, 1979. And so when the incident happened in the United States, we were preoccupied with that. But also, at the same time in Colombia things were very bad for people that weren't working on a real high level.

I can't really speak to what, to the level that Vogel was working at that time, because I didn't even know Leigh Rich existed.

Senator KERRY. You didn't know what?

Mr. PALMER. Leigh Rich existed.

Senator KERRY. During the Carroll years, did Gerry Carroll have a habit of handing out medallions with diamonds in them for trips?

Mr. PALMER. Yes, he did. He had a little gold rectangular medallion and you had a diamond chip in your medallion for every one of your smuggling trips. I still have mine. I've got nine in it.

My attorney reminded me, Mr. Vogel said I should have a whole cluster of diamonds. I still have it. I will be glad to show it to you any time you like.

Senator KERRY. I would be delighted to look at it some time. You've got to be careful. The IRS might grab it.

Mr. PALMER. It's not worth too much.

Senator KERRY. Now, beginning in 1981—strike that.

Let me come back for a second. So, you flew a number of flights down to Colombia and back during the late 1970's?

Mr. PALMER. Yes, that's correct.

Senator KERRY. Did you go to any other countries during that period of time?

Mr. PALMER. Do you mean for smuggling trips?

Senator KERRY. For smuggling trips.

Mr. PALMER. No, I don't believe so.

Senator KERRY. Now, in 1980 how did you come to work again with Michael Vogel in 1981?

Mr. PALMER. Vogel was—I remember when it happened Vogel was down in Florida. He contacted me and wanted me to go out and have dinner with him, and I did. The kind of relationship you want to keep with the people that you're associated with in that type of business is amicable, even if you're not going to work with them again, either that or just disappear completely.

And so I went out to eat with him, and Vogel told me that things had opened back up down in Colombia again and proposed that I go back to work and work with him, and I would have more control over—he would delegate to me the ability to talk directly to the Colombians, so that I would be able to identify whatever the strip was I was going to go to.

That was one of the big problems with the Carroll organization. And with Vogel, Vogel knew nothing about aviation, and so he'd talk to the Colombians and they would tell him where the strip was and he was liable to think it was a phone number.

I remember going down there one time and we went to where the strip was supposed to be and there was nobody there. And so we're down there, we've got no gas, no nothing, and we just landed on some poor guy's farm. And fortunately for us, there was no enforcement people around.

The guy gave us some gas out of his gas truck there, and we took off again and landed at—I think we flew to San Juan.

And of course, the pilots were a little torqued about the slipshod way that things were handled.

Senator KERRY. You were not the pilot on that?

Mr. PALMER. Yes, I was the pilot on that. I mean, when I said "pilots," myself and the other guy.

Senator KERRY. Well, did you at some time fly narcotics to the United States from Jamaica?

Mr. PALMER. Yes, I did.

Senator KERRY. And when was that?

Mr. PALMER. That was in about 1980—late in 1981, maybe early 1982.

Senator KERRY. On how many occasions did you do that?

Mr. PALMER. I did it once with the Vogel organization.

Senator KERRY. And what kind of narcotics did you fly in?

Mr. PALMER. That was marijuana again, but it was a hybrid variety, Sensamilla. And it caused a little bit of consternation with Vogel, because he had a hard time selling it. So, he told us he didn't want to go to Jamaica any more, we will go to Colombia.

Senator KERRY. Who worked with you on that trip?

Mr. PALMER. Do you mean who was the pilot I worked with?

Senator KERRY. Yes.

Mr. PALMER. I don't recall. Could we come back to that question.

Senator KERRY. All right, we will return to that.

Mr. PALMER. Did I answer the question last night? If I did, please go ahead and state it.

Senator KERRY. We can check on that. But I would like for you to try to refresh your recollection on that if you can. Do you recall who you picked up, who your contact was in Jamaica?

Mr. PALMER. Well, the trip was already—it was set up so we didn't really have—there was a couple of black guys down on the strip, and we went in there.

Senator KERRY. A prearranged landing point, and you simply picked it up and left?

Mr. PALMER. Right.

Senator **Kerry**. Did you know at that time if Jamaica was being used, whether or not it was being used as a transshipment point?

Mr. **Palmer**. Well, they produce their own.

Senator **Kerry**. And you knew that?

Mr. **Palmer**. Sure. I mean, years ago that was one of the primary smuggling points, I think, before Colombia, was Jamaica, although I had never visited there. They've got telephone poles up and down the streets and highways there to keep people from landing on them. Apparently it was pretty wide open at one time.

Senator **Kerry**. And did you at some time also become involved in some smuggling of cocaine into the United States?

Mr. **Palmer**. Yes.

Senator **Kerry**. And when was that?

Mr. **Palmer**. In 1982.

Senator **Kerry**. And can you describe the circumstances of that?

Mr. **Palmer**. Yes. Vogel started to complain about the fact that most of his marijuana sellers were switching over to cocaine, and he wanted to test the market. So, he arranged for us to, first to pick up 1 kilo on one trip, and another kilo on another trip.

That was with a load of grass. And it culminated with, I believe it was, about a 46- or 47-kilo cocaine importation.

Senator **Kerry**. From where?

Mr. **Palmer**. Colombia.

Senator **Kerry**. What year was that?

Mr. **Palmer**. 1982.

Senator **Kerry**. Were there other occasions that you brought cocaine in?

Mr. **Palmer**. Only for the Drug Enforcement Administration, as part of my undercover role. That was last year.

Senator **Kerry**. Let me just come back for a minute and work on your recollection a little bit. Do you remember in Jamaica a contact by the name of Tommy?

Mr. **Palmer**. Yes, I do.

Senator **Kerry**. And Jack Sherry was your attorney; correct, or an attorney who handled some matters for you?

Mr. **Palmer**. Well, he is an attorney, I believe. Back in those days, he worked with--he kind of came and went through the Carroll organization. I think that Vogel knew him primarily.

But now I remember the individual you were talking about, the Tommy. That was the guy——

Senator **Kerry**. Jack Sherry helped put you in touch with Tommy?

Mr. **Palmer**. I believe that's correct.

Senator **Kerry**. Do you know more about who this Tommy was?

Mr. **Palmer**. I don't know his last name. I could describe him for you. I remember that. He's a short, blond-haired fellow.

Senator **Kerry**. And he helped provide safe passage for you in Jamaica; is that correct?

Mr. **Palmer**. By the term "safe passage," I assume you mean he took care of all the things that needed to be taken care of.

Senator **Kerry**. On the ground, so that you could get in and get out without a problem?

Mr. **Palmer**. Right. Yeah, he took care of those things. We had—they had a very primitive landing strip. I think it was just a road in a sugarcane field, if my recollection serves me.

Senator **Kerry**. Now, with respect to the aircraft that you were using for these smuggling trips—this is during the period, during the whole period you were involved in smuggling between 1977 and 1985—did you use any of the aircraft as the beneficiary of that aircraft itself, that is to say the owner of it?

Mr. **Palmer**. I'm sorry, could you rephrase that?

Senator **Kerry**. Were you the beneficial owner or the real owner of the aircraft that you were using?

Mr. **Palmer**. Well, at no time did I have any of the airplanes in my name. In some cases I had an ownership interest in them, in partnership with Vogel and the Colombians.

I tried to delegate my financial interest in the airplanes to them, to make them responsible, so that when we would fly down there and land, so that they would make sure things were taken care of properly, so they wouldn't lose their asset.

Senator **Kerry**. So, it is accurate, is it not, that you purchased some of the aircraft with money supplied by the Colombians?

Mr. **Palmer**. That is correct.

Senator **Kerry**. Now, how were the aircraft, in fact, registered?

Mr. **Palmer**. Well, when you say "the aircraft," there were——

Senator **Kerry**. Was one of the aircraft registered to a corporation that did not know it owned it?

Mr. **Palmer**. Oh, you're referring to the incident that happened in 1983.

In 1983 we had a——

Senator **Kerry**. The answer to that is "yes"; is it not?

Mr. **Palmer**. Yes, it is.

Senator **Kerry**. Now, would you describe that incident to me?

Mr. **Palmer**. Yes. In 1983 we had an airplane that was abandoned in Colombia. They had some sort of an operation going on down there, and the people that we were using weren't strong enough to provide safety for the airplane.

Senator **Kerry**. When you say "an operation," what do you mean?

Mr. **Palmer**. A sweep, where they would send the military or the national police out to all the clandestine strips and farm strips and so on in whatever state it happened to be we were working in.

Senator **Kerry**. Just so we understand for the record as we proceed here, the assets currently of your smuggling operation were Queen Airs, Navajo, DC–6. Can you give us what number?

Mr. **Palmer**. At this point it was one Queen Air only, I believe, when this event took—no, wait a minute. We had a DC–6 also. This would be 1983.

Senator **Kerry**. Were there some Navajos used?

Mr. **Palmer**. Not at this point.

Senator **Kerry**. But at some point in time?

Mr. **Palmer**. Back in the Carroll organization.

Senator **Kerry**. You were relating to us the incident with the sweep.

Mr. **Palmer**. So, the airplane was abandoned on the strip. We assumed back in the United States the airplane would be seized, and it would be very difficult for us to get it released. We didn't have the kind of pull to get it released.

So, we decided what we would do in order to deflect the potential government interest in what was this airplane doing abandoned in Colombia, we got a phone book, picked out a name in the phone book. It was Peebles Products that I heard Vogel mention yesterday, and crudely registered the airplane to them, sent the registration form into the FAA along with a letter saying that we, Peebles Products, has bought this airplane, so on and so forth.

As it turns out, the procedure that we used was not the correct procedure to reregister an airplane in a foreign country. It has to be done through the registration, aircraft registration agency of that country direct to the FAA.

However, I guess, in that you bring it up here today, I'm sure it must have sort of deflected a little bit of attention at the time.

Senator KERRY. Deflected attention from what?

Mr. PALMER. From the owner of record at the FAA.

Senator KERRY. Was that the intent?

Mr. PALMER. That was the intent, that's correct. We didn't think at the time that it would be a——

Senator KERRY. So, you went through a fairly complex—you laid a trail that made it difficult to be able to detect, basically?

Mr. PALMER. Well, we didn't think that at the time it would be a very big deal because there were no drugs on the airplane. It was just an airplane abandoned on an airstrip. It had a U.S. registration on it. Suspicious circumstances, but by us just giving up the airplane and sort of throwing the responsibility on the Colombians if they could get it back to go ahead and get it back, and putting it in a—what we thought we were doing was registering it in another country.

Senator KERRY. This was what kind of plane?

Mr. PALMER. Queen Air.

Senator KERRY. What was the tail number; do you remember?

Mr. PALMER. 416 Whiskey Charlie, I believe.

Senator KERRY. Did there come a time when you then purchased a DC-6?

Mr. PALMER. I believe we already had the DC-6 at that time.

Senator KERRY. When did you first purchase that DC-6?

Mr. PALMER. That was in 1982, in about October or September-October.

Senator KERRY. Where did you buy that?

Mr. PALMER. It was purchased in Washington State, I believe.

Senator KERRY. Who did you buy it from?

Mr. PALMER. An airline that operated DC-6's up there.

Senator KERRY. The name of the airline?

Mr. PALMER. Pacific Alaska, I believe it was.

Senator KERRY. How much did you pay for it?

Mr. PALMER. I do not recall. I think—well, the Colombians paid for it. I think they sent a check up for $200,000.

Senator KERRY. What was the tail number of that DC-6 at that time?

Mr. PALMER. That was 34 Fox.

Senator KERRY. Thirty-four Fox?

Mr. PALMER. Yes.

Senator Kerry. Was this the plane that was identified yesterday by Mr. Vogel as the one that was damaged in Colombia and dropped its load over a town in Georgia?

Mr. Palmer. No, it's not.

Senator Kerry. That was a different DC-6?

Mr. Palmer. That's correct.

Senator Kerry. Which DC-6 was that?

Mr. Palmer. That was a DC-6 that was purchased by Carroll in about 1977.

Senator Kerry. What was the tail number on that DC-6; do you recall?

Mr. Palmer. I don't recall, no. At that time I don't recall.

Senator Kerry. You do not recall it at that time, but you had a later contact with that DC-6?

Mr. Palmer. That's correct.

Senator Kerry. What was the tail number when you first had a contact with it?

Mr. Palmer. It would have been the same tail number it had back then.

If I can expound on your question a little bit, I don't recall the——

Senator Kerry. Do you recall November 11 Victor X-ray?

Mr. Palmer. Yes.

Senator Kerry. Is that the tail number?

Mr. Palmer. Not when I purchased it. It was another tail number, and then when it was registered to Vortex we changed the tail number.

Senator Kerry. That was one of the tail numbers at the time it was registered to Vortex?

Mr. Palmer. Right.

Senator Kerry. Were you on that flight that was damaged in Colombia and dropped the load in Georgia?

Mr. Palmer. No.

Senator Kerry. Do you know who was?

Mr. Palmer. At this time, Senator, I can't recall.

Senator Kerry. Well, these were people who were working for you. You did not have a whole long list of pilots you drew from, did you?

Mr. Palmer. Well, there was a pretty good list of pilots that we went through.

Senator Kerry. How many pilots did you go through?

Mr. Palmer. I guess Carroll probably had seven or eight pilots working for him, and we didn't always—you know, you've got to remember something.

At that time I was working for an airline. I didn't go out of my way to identify myself or to identify the people that we worked with other than by first names and that sort of thing.

Senator Kerry. Did you run a check on them? How would you know they were not just a D.A. guy walking up and saying "Hi"? You guys did not check these people out?

Mr. Palmer. That was always a concern.

Senator Kerry. Obviously you did something to——

Mr. Kleiboemer. Could he answer your question, Senator?

Senator Kerry. I think he did.

Mr. **Kleiboemer**. I do not think so.

Senator **Kerry**. I would be delighted to have him answer it.

Mr. **Kleiboemer**. Answer his question.

Senator **Kerry**. You said it was always a concern.

Mr. **Palmer**. It was a concern. A perfect example would be the pilot that Vogel put me with when we made the ill-fated smuggling trip in 1985 to Colombia, Jason. I'd never flown with Jason before. I didn't know him. He was somebody that Vogel vouched for. And I assumed that it would be OK to fly with him. I don't even believe I didn't know his last name until we were in jail together.

Senator **Kerry**. With respect to——

Mr. **Palmer**. Excuse me, Senator. I'm not trying to hide anything from you. When I say I don't recall at this time, I don't.

Senator **Kerry**. I understand. I am just trying to get at the question here. You have one DC-6, and you have one Queen Air at a given moment?

Mr. **Palmer**. That's correct.

Senator **Kerry**. That is not a lot of aircraft.

Mr. **Palmer**. No. You were talking about a DC-6 that we had back in the Carroll days. Now, at that time there was eight or nine pilots. Some of them I have never seen before or since.

Senator **Kerry**. OK. They were at that time separate in that particular incident?

Mr. **Palmer**. Sure.

Senator **Kerry**. Did you hear about that incident? Did you know what happened in the Georgia incident where they——

Mr. **Palmer**. Sure. I was—Vogel and I were up at the strip in Indiana waiting for the airplane to come back.

Senator **Kerry**. What took place?

Mr. **Palmer**. The airplane never showed. I know Vogel's testimony yesterday said that I was on the ground and waived the airplane off and all that.

Well, I hate to tell you this but a three-engine DC-6, a DC-6 under three-engine power cannot fly from Colombia to Indiana and back to Georgia or Tallahassee or wherever Vogel said it went.

We never heard from the airplane. What happened was, as we heard later on, that they had to throw the load out, and I don't even recall it being over Georgia, just that the load had to be thrown out and that they made a landing in Florida and abandoned the airplane.

Senator **Kerry**. They did throw the load out. They were trying to come to Indiana.

Is that accurate?

Mr. **Palmer**. Yeah. They flew—I think the report we got then was that they threw the majority of the load out over the ocean because the airplane was too heavy to fly on three engines. It had an engine out; it had hit some trees and debris on the way out of Colombia.

Senator **Kerry**. Then they threw the rest of the load out?

Mr. **Palmer**. Threw the rest of the load out.

Senator **Kerry**. Where was the plane finally dumped?

Mr. **Palmer**. My recollection is it was left in Orlando.

Senator **Kerry**. At some point later, though, that plane came back into your possession; did it not?

Mr. **Palmer**. That's correct.

Senator **Kerry**. How did that happen?

Mr. **Palmer**. The airplane sat up there and went to waste for 4, 5, 6 years. Finally I believe the Customs Service had custody of it, and they levied a civil fine on the airplane and released it.

And at that time I was trying to legitimize myself, and I purchased the airplane through an attorney, brought it down to south Florida, and started making it airworthy again, licensable. It didn't have records. Well, it had some records but it had deteriorated quite a bit. There had been people living in it and urinating in the floor; they had built little campfires inside, that sort of thing.

Senator **Kerry**. Did you later sell the plane?

Mr. **Palmer**. Yes, I did.

Senator **Kerry**. Who did you sell it to?

Mr. **Palmer**. I sold it to one of the Nicaraguan resistance organizations.

Senator **Kerry**. Do you remember which one?

Mr. **Palmer**. Excuse me just a second.

[Witness conferred with counsel.]

Senator **Kerry**. Hold on for 1 second here.

[Pause.]

Mr. **Kleiboemer**. We are perfectly willing to answer the question.

Senator **Kerry**. I understand. I am not sure that——

[Pause.]

Senator **Kerry**. Let me ask you that question in this way.

Did you sell that airplane directly to the Nicaraguan assistance effort, or was it sold to some separate company? Was it sold to an American company?

Mr. **Palmer**. Yes, it was.

Senator **Kerry**. It was sold to an American company?

Mr. **Palmer**. That's correct.

Senator **Kerry**. In that capacity, it assisted the Contras; is that accurate?

Mr. **Palmer**. That's correct, Senator.

Senator **Kerry**. Let us leave it that way for now.

What was the payment arrangement for that plane?

Mr. **Palmer**. At what time, Senator?

Senator **Kerry**. At that time when you sold it?

There were two transfers; correct?

Mr. **Palmer**. Are you talking about when the aircraft that we're talking about right now was sold to the U.S. company that eventually transferred it?

Senator **Kerry**. I am talking about the first transfer to Vortex. Was it not sold initially to Vortex?

Mr. **Palmer**. Yes, that's correct.

Senator **Kerry**. What was the payment arrangement for that sale of that plane to Vortex?

Mr. **Palmer**. It was like $15,000, I believe.

Senator **Kerry**. How was that paid?

Mr. **Palmer**. That was paid to U.S. Customs.

Senator **Kerry**. By Vortex?

Mr. **Palmer**. No, by me, by my attorney.

Senator **Kerry**. Through Vortex; correct?

Mr. PALMER. No.

Senator KERRY. Directly?

Mr. PALMER. Directly. Vortex had nothing to do with the airplane at that point.

Senator KERRY. Let me suspend for 1 minute here.

[Pause.]

Senator KERRY. I want to try to be clear here about the chain here.

You buy the airplane from Customs; correct?

Mr. PALMER. That's correct.

Senator KERRY. You pay $15,000 for the airplane to Customs?

Mr. PALMER. That's correct.

Senator KERRY. It then is transferred from you to Mr. Herreras at Vortex; is that accurate?

Mr. PALMER. That's correct.

Senator KERRY. What is the nature of that transaction to Vortex Corporation?

Mr. PALMER. Well, there was no financial transaction. I just transferred the asset to Vortex, and we went to work refurbishing the airplane.

Senator KERRY. You had an interest at that point with Mr. Herreras in the plane as well as in Vortex?

Mr. PALMER. Well, I had an interest in the airplane, and the agreement was that we would refurbish this airplane, put it to work in legitimate service on behalf of Vortex, and then use the moneys generated to reimburse me for the airplane.

Senator KERRY. At that point the transfer was then effected from Vortex to this U.S. company?

Mr. PALMER. No, it wasn't at that point. It was several years later.

Senator KERRY. At a later point, I understand.

Excuse me. Let me be clear on my question, then.

At a later point in time, that transfer was then made after you had made the airplane airworthy?

Mr. PALMER. After we made it airworthy and used it commercially.

Senator KERRY. What were the terms of that arrangement?

Mr. PALMER. The commercial arrangement?

Senator KERRY. Yes.

Mr. PALMER. Well, we flew the airplane and did subservice for some other airlines in the Miami area.

Senator KERRY. Was some of that subservice that you did for this U.S. company?

Mr. PALMER. No.

You mean for the U.S. company that ultimately purchased the airplane?

Senator KERRY. Correct.

Mr. PALMER. No. No, we never operated it for them.

Senator KERRY. How much money did it sell to them for?

Mr. PALMER. Approximately $320,000, I think.

Senator KERRY. So, the U.S. company paid $320,000 for that aircraft from you 2 years later?

Mr. PALMER. I believe it was 3 years later.

Senator KERRY. What year was that?

Mr. **Palmer**. I believe it was 1987.

Senator **Kerry**. Now, did you in fact——

Mr. **Palmer**. Late 1986.

Senator **Kerry**. Late 1986?

Mr. **Palmer**. Yes.

Senator **Kerry**. Did you in fact gain some ownership interest or some proprietary relationship or interest in Vortex as a result of this transaction?

Mr. **Palmer**. No. I don't believe I had any interest in it other than I was employed by them. Mr. Herreras gave me employment there. I used the—I mean, to the extent that I had a financial interest in the airplane, I ultimately had an interest in the airplane itself.

Now, the airplane was part of the company, so I guess the correct answer would be "Yes." But as far as if the company was liquidated, I would receive proper reimbursement for the money that I put into that airplane, and Mr. Herreras would have whatever is remaining.

But it would be—I didn't have any stock ownership, I guess is the correct answer.

Senator **Kerry**. This is 1986. You had a card at that point that listed you as a vice president of Vortex; correct?

Mr. **Palmer**. That's correct.

Senator **Kerry**. You were, in fact, on the corporate papers at that point?

Mr. **Palmer**. Well, I don't recall if I was or not, but to put that in its correct light for you, Senator, Vortex had about four, five, six employees.

Senator **Kerry**. No, I was going to ask you to describe it, and I want it to be in its proper light.

Mr. **Palmer**. OK.

Senator **Kerry**. We can take a moment to do that now if you want.

Mr. **Palmer**. OK.

Senator **Kerry**. I want to try to do that part of it in sequence if we can, so let me come back to it if I can; but we will come back to that.

This plane was, in fact, though, the plane that was used by Vortex to fulfill its obligations under the State Department contract that Vortex received; is that right?

Mr. **Palmer**. No, that's incorrect.

Senator **Kerry**. Was that a different DC–6?

Mr. **Palmer**. We never used any DC–6 to fulfill any of our State Department contracts.

Senator **Kerry**. What planes were used to fulfill that?

Mr. **Palmer**. We leased a DC–4 for part of the work that we did. We had a C–46 we used one time. We were the groundhandlers for some C–130's.

There was never a DC–6 involved in any of the State Department work.

Senator **Kerry**. There came a time when you did acquire a second DC–6; is that right?

Mr. **Palmer**. That's correct.

Senator **Kerry**. When was that?

Mr. PALMER. That was in 1985, and that was the Vogel organization DC-6.

Senator KERRY. You bought it from the Vogel organization, or you bought it for it?

Mr. PALMER. I bought out Vogel's interest, which was a little over $100,000, and then I bought out the Colombian interest, which was about the same. Well, it was a little more than that.

Senator KERRY. What was your intention? Why did you buy out? What did you want to do with that DC-6?

Mr. PALMER. Well, we had to—we wanted to get it out of Detroit. It was causing some problems for the legitimate operator whose ramp we had left it on. He was getting a lot of business from——

Senator KERRY. What kind of problems was it causing?

Mr. PALMER. He apparently had—the FAA came and saw it one day and made a big fuss over his records, and they brought an FBI agent with them, and they——

Senator KERRY. You lost me for a minute there.

The plane was sitting in Detroit?

Mr. PALMER. That's correct.

Senator KERRY. Why was it sitting in Detroit?

This is the plane that you were using for drug smuggling?

Mr. PALMER. Right.

Senator KERRY. The drug-smuggling plane was sitting on the tarmac in Detroit?

Mr. PALMER. That's correct.

Senator KERRY. Why was it causing a problem sitting on the tarmac in Detroit?

Mr. PALMER. Well, I don't—I don't know. I assume that it was sort of an orphan airplane, and in this day and age a big airplane like that is an orphan in anybody's airport, it attracts some scrutiny.

Senator KERRY. Is there really a more precise reason than that? Who knows it is an orphan airplane?

Is it the reason that it resembled some other aircraft that were currently operating and there was scrutiny as to this aircraft?

Mr. PALMER. I'm sorry, Senator, but, respectfully, I'm here to answer your questions truthfully. If there's something that you know that I don't, please tell me.

Senator KERRY. Well, were the markings on that aircraft similar to any other aircraft in operation at that time that you knew of?

Mr. PALMER. Yes. The airplane had a red stripe on it at that time. When the Vogel organization originally purchased the airplane, it was painted a very hideous orange color with a big yellow dot on the tail, and it stood out up there at the airport that Mike had picked out like a sore thumb. So——

Senator KERRY. Were those markings markings that were similar to other operational aircraft that were operating out of an airport?

Mr. PALMER. No. Those markings were—the markings were completely different, and that was the reason. I mean, it was bizarre. It would be like you driving around in a purple Cadillac downtown here.

Senator D'AMATO. Let me ask you something. Was that plane used, to your knowledge, for drug smuggling at that time?

You testified in answer to Senator Kerry's question that there seemed to be some urgency to get that plane out of that area, and you came up with $100,000 and someone else came up with $100,000 plus.

So, was it used for drug smuggling at that time?

Mr. **Palmer**. No, sir. In 1984 and 1983 it made two trips. In 1985 it didn't do anything. It was sitting up there vegetating, and the urgency to—there wasn't any urgency to get the airplane out. It was only that we had the airplane sitting up there on this ramp. It was on the ramp of a legitimate operator in Detroit. We were paying him rent. It was sort of a mysterious relationship to the guy, and the longer that we kept the mystery associated with the airplane parked on his ramp, the greater threat he became to us.

And then he in turn had some problems of his own and wanted us to—you know, wanted to know what we were going to do with the airplane, if we were really going to operate it or fly it or whatever we were going to do, and so we decided to move it.I decided that the best thing for it was to put it to work legitimately in Miami. I was winding down my involvement in the smuggling organization. I hadn't done anything with Vogel since the 1984 DC-6 trip which I did at his insistence because he blamed me for breaking up his involvement in the barge importation in 1983.

I hadn't done anything for a year. And so that airplane was in effect a link to all of us, and I decided the best thing to do with it was to try to negotiate a settlement with Vogel and the Colombians and put it to legitimate service.

Senator **D'Amato**. OK, so that the urgency was one in your mind as it related to the links of your past drug activity.

Would that be fair?

Mr. **Palmer**. Well, you've got to remember, Senator, that there was over a year that went by. I would say that the stupidity more than urgency. You know, if I was really urgent about it I would have done something about it long prior to, or attempted to.

Senator **Kerry**. Well, then, let me cast it in another way.

Would it be fair to characterize your concern as one of attempting to end that link between a plane that had been used for drug smuggling and——

Mr. **Palmer**. Well, it was an attempt to end the relationship with Vogel, for one thing. With the airplane sitting up there on the ramp, again, there was always a possibility Vogel was going to come back and say, "Look, I'm out of money. We've got to do something again here. Let's, you know, I want to do a trip."

I didn't really fear Vogel personally, but I did fear his, you know, the scrutiny or attention he was bringing to himself by these outlandish adventures.

Senator **D'Amato**. OK.

Senator **Kerry**. This aircraft was used for two smuggling trips?

Mr. **Palmer**. That is correct.

Senator **Kerry**. Did you fly those trips?

Mr. **Palmer**. No, I did not.

Senator **Kerry**. Do you know who did?

Mr. **Palmer**. I know a majority of the people that were on the airplanes; yes.

Senator **Kerry**. And who were they working with?

Mr. **Palmer**. The Vogel organization.

Senator **Kerry**. The tail number of that aircraft was what at that time?

Mr. **Palmer**. 3434F.

Senator **Kerry**. Now, was that plane not painted in a way that it resembled the same commercial airline guy who was flying at the same airport, Zantop?

Mr. **Palmer**. Yes, Zantop Airlines had an airplane, had airplanes that were, I believe they were white with a red stripe. We decided that we needed to change the paint job on this airplane because it had this, you know, hideous paint job. So, the first thing you do when you go to paint an airplane is you have to strip it to bare metal to do it properly. So, that's what we did.

And then to put some sort of paint job on it, we figured, well, the least expensive would be to just go ahead and put a stripe on it. There's a lot of airplanes with stripes around. And lo and behold, at this airport Zantop Airlines operated airplanes with a red stripe. They said, "Well, let's put a red stripe on it, and then it won't stand out like it did in the past."

I mean, nobody on the airport would assume, none of Zantop's people would assume it was Zantop's airplane, but somebody driving by there might just look over and say, "Well, gee, it is another, you know, red-striped airplane over there."

Senator **Kerry**. Now, that plane was then sold to Vortex; is that correct?

Mr. **Palmer**. That is correct.

Senator **Kerry**. And it was sold for gold coins; is that accurate?

Mr. **Palmer**. That is correct.

Senator **Kerry**. Why gold coins?

Mr. **Palmer**. Because they are not traceable.

Senator **Kerry**. So, you again wanted to keep the deal——

Mr. **Palmer**. I structured the transaction, and there was no, you know, there was no real—it was a very——

Senator **Kerry**. Now, there are two other planes I just want to ask you about. The first is the Queen Air which was shot down in Colombia.

Did you own that plane?

Mr. **Palmer**. I had an interest in that airplane with the Colombians.

Senator **Kerry**. What was the tail number on that airplane?

Mr. **Palmer**. 343R.

Senator **Kerry**. 343R?

Mr. **Palmer**. Yes.

Senator **Kerry**. And what about the other plane that was seized in Colombia? Did you own that plane?

Mr. **Palmer**. That again, I believe we delegated the—I don't think Vogel had an interest in it at that time or not. I can't remember. But there again, we made the Colombians responsible for the financial end of it once we had secured the airplane.

Senator **Kerry**. And was that plane identified N416WC?

Mr. **Palmer**. That is correct.

Senator **Kerry**. In the course of your career as a smuggler from 1977, you testified?

Mr. **Palmer**. Yes, sir.

Senator KERRY. Through 1985, how much marijuana did you smuggle, both as a pilot or as an on-the-ground crewperson, as a member of one structure or another?

Mr. PALMER. OK, where I was actually part of the organization, whether I was there or not, or anything else, probably 120,000 pounds.

Senator KERRY. What's the value of that, street value, wholesale value?

Mr. PALMER. I'm sorry, what did you say?

Senator KERRY. Wholesale value.

Mr. PALMER. Back then it was about $250 a pound.

Senator KERRY. And cocaine, was that only the one time?

Mr. PALMER. That was my one involvement with cocaine other than working with the Government.

Senator KERRY. Let me ask you something, are you currently dealing with the IRS with respect to your earnings during those years?

Mr. PALMER. Excuse me a second.

[Witness conferring with counsel.]

Mr. PALMER. The answer is "No," Senator.

Senator KERRY. Have you dealt with the IRS with respect to your earnings as a drug smuggler?

Mr. PALMER. No.

Senator KERRY. How much money did you earn as a drug smuggler?

Mr. PALMER. I would say several million dollars. When I say several, I mean in the neighborhood probably, passed through my hands, in the neighborhood of maybe $3, $3½ million.

Senator KERRY. In 1985 you were arrested in Colombia; is that accurate?

Mr. PALMER. That is correct.

Senator KERRY. How did that arrest come about, do you know?

Mr. PALMER. I know we were on the strip, a helicopter flew in and started shooting at us, and we surrendered to them.

Senator KERRY. And the purpose of that trip to Colombia was?

Mr. PALMER. We were bringing money down to the Colombians for the previous year's DC-4 or DC-6 trip, and we were going to bring a small load of marijuana back.

Senator KERRY. And how much money did you have in the plane with you on that trip?

Mr. PALMER. It was close to $1 million.

Senator KERRY. Were you working for Delta at that time?

Mr. PALMER. Yes, I was.

Senator KERRY. Did Michael Vogel attempt to assist you in obtaining release?

Mr. PALMER. He claims he did.

Senator KERRY. Did you have a conversation with him on the telephone at that time?

Mr. PALMER. I told him not to, not to assist, that the case was a strong case down there, and that I was afraid that he would stir up more interest than he would deflect.

Senator KERRY. Do you know whether or not some of your cash was used to pay a Colombian lawyer in order to bribe a local judge?

Mr. PALMER. Well, unbeknownst to me at that time, I—of course, Vogel, as the organizer, you know, he went down. Nobody in my family or anybody knew of my drug involvement. I kept all of my drug proceeds at my house because obviously you couldn't move it around. I had the better part of probably more than $1 million there in a couple of tool boxes. Vogel came down, got the money, and used, unbeknownst to me at that time, he was on his own with Leigh Rich, was planning a rather large importation— think it was 165,000 pounds is what was eventually seized. I read this off of the indictment. I didn't even know it took place, but the *Sea Maid*.

So, what he did is he used the money to run all around the countryside and back and forth to the Caymans and to finance his portion of the *Sea Maid* venture, and also paid a Colombian lawyer that we had down there, to my knowledge $250,000. The attorney down there said that he was going to use it for a bribe. However, as I came to find out, what he was really doing was just holding us up for the money because there was no case.

It was clearcut, there was no drugs on the airplane. There was drugs near the airplane, but there were no traces on the airplane, and the story that we gave them that we were lost and we just landed at this strip because we saw people on the ground was accepted. There were no witnesses. All the Colombians ran away. There are no conspiracy laws in Colombia.

Senator KERRY. They knew you had $1 million in cash; right?

Mr. PALMER. The Colombians did, yes. That left with them.

Senator KERRY. That was left with them.

Mr. PALMER. No, they took off with it, the Colombians that were—when we landed there they took the money, and they busied themselves with preparing to fuel the airplane and so on, and then the helicopter came up, and in the ensuing melee, they left and we were left with the airplane.

But getting back to your question, Vogel did say that he paid that money, and I imagine that the attorney received it.

Senator KERRY. Now, while you were—you had some time while you—you sat in jail in Colombia for about 3 months; is that right?

Mr. PALMER. Yes, a little longer than 3 months.

Senator KERRY. How long were you there?

Mr. PALMER. Oh, it was about 3 months and a week, I guess.

Senator KERRY. And while you were in jail in Colombia you came to believe that the entire smuggling operation was in danger of being exposed; correct?

Mr. PALMER. Well, I believed that for the last several years. It was just that, you know, that was going to be my last trip. You know, like many smugglers have said this is my last trip, that's it, over and done with. But I had a story cooked up for Vogel as to why I was going to get out of this completely once we got back.

I knew the Colombians had to be paid to leave everything, all accounts settled all the way around, and so I made this last trip.

What I went through in jail down there was just the stark realization of coming to grips with the fact that I had trashed my entire life.

Senator KERRY. So, you did some thinking and came to the realization that you wanted to get out of this business; is that right?

Mr. **Palmer**. Well, there was—I mean, internally I was—you know, you have a lot of time sitting there on a cement block contemplating, you know, what you have done with yourself, knowing that you had no control over your life, and worse than that, the effect of your actions has taken on not only yourself but the people around you, the people that you love, the people I worked with.

Senator **Kerry**. OK. I think what I am going to do, timewise, the committee is going to be running very tight this afternoon.

We are going to take about a half hour break for lunch, but the committee will not continue through the afternoon publicly. We will complete the testimony of Mr. Palmer when we resume at 1:30, and then as soon as his testimony is over, that will be the end of public testimony for today.

Oh, excuse me. We have Ambassador Deumling on quickly, and then we will go into a series of closed sessions and begin again tomorrow morning.

So, we will stand in recess for one-half hour, until 1:30.

[Whereupon, at 1 p.m., the committee recessed, to reconvene at 1:50 p.m. this same day.]

AFTERNOON SESSION

Senator **Kerry**. The hearing will come to order.

I am afraid we are running like some of the airlines here. We have these last-minute things that come up, and we are a little bit behind. My apologies.

Mr. Palmer, let me just remind you that you continue to be under oath as you were sworn before the lunch break.

Why not pull the mike toward you.

I would like to pick up with you, if I can. We were at the period of your life in 1985 when you had been arrested in Colombia and you spent a certain number of months in jail during this time.

You began to rethink your life. As you said, you had been anyway for some period. So, when you finally were released from jail, you came back to Florida; correct?

Mr. **Palmer**. That's correct.

Senator **Kerry**. When you came back from Florida, you had lost your job with Delta; is that accurate?

Mr. **Palmer**. Yes.

Senator **Kerry**. You lost your job at Delta because you had been involved in this event in Colombia?

Mr. **Palmer**. Well, technically I was suspended from Delta. The reason is that I missed a trip I was scheduled to fly. The reason I missed the trip I was scheduled to fly is because I was in jail.

Senator **Kerry**. Well, you must have missed more than one trip. I mean, you were suddenly missing a bunch of trips; right?

Mr. **Palmer**. Yes. I only had a couple of trips left on my line of time that month, and so I missed a couple of trips.

Senator **Kerry**. At this time Delta knew that you were in jail? They learned of it?

Mr. **Palmer**. They subsequently learned that's where I was.

Senator **Kerry**. So, it was not a hidden fact that one Michael Palmer had been arrested at a small airstrip with an airplane being refueled, attacked by a helicopter in Colombia?

Mr. PALMER. That's correct.

Senator KERRY. At that point in time you came back to seek employment, to do something; correct?

Mr. PALMER. Well, my intent when I got back was to somehow try to put my life back on track.

Senator KERRY. What is the first thing you did in order to do that?

Mr. PALMER. I went to work at Vortex and kind of submerged myself in work there about 6, 7 days a week.

Senator KERRY. What was Vortex?

Mr. PALMER. It's an aircraft, a small aircraft leasing company.

Senator KERRY. Had you known about Vortex?

Mr. PALMER. Yes, I did. As I mentioned to you previously, the DC–6 that I had purchased earlier that was in need of repair I had put with Mr. Herreras at Vortex, and although the company wasn't really earning any money then, we were able to start working on it using his contacts in the maintenance area around Miami.

Senator KERRY. Just so we understand this, it was 1985 that the incident in Colombia took place?

Mr. PALMER. Right.

Senator KERRY. The DC–6 you refer to that went to Vortex went to them in what year?

Mr. PALMER. Well, there were two DC–6's that went to Vortex. The one that was in bad need of repair I believe went in like 1983 or 1984, maybe 1984.

Senator KERRY. The second DC–6 went to Vortex?

Mr. PALMER. In I believe it was the week that—the first week of May 1985.

Senator KERRY. So, both airplanes had been transferred by you at a fair amount of expense to Vortex prior to your being arrested and prior to your leaving Delta?

Mr. PALMER. That's correct.

Senator KERRY. How did you come to have this association with Vortex while you were a pilot at Delta?

Mr. PALMER. Well, Vortex was a very small company. They didn't have any airplanes. Mr. Herreras would subcontract with other aviation companies in Miami to provide the services that he did, which was subservice for major airlines.

And one of the problems you have when you're an entity——

Senator KERRY. Could you suspend just for one minute?

Mr. PALMER. Sure.

Senator KERRY. Excuse me.

[Pause.]

Senator KERRY. You were answering my question to you and I interrupted you.

Mr. PALMER. OK. The way it works in the aircraft leasing business at that level is if you're an airline and you need some additional cargo space and you call somebody for it and they contract with you and provide it, if they don't have an airplane what they're going to use is somebody else's airplane.

And ultimately what's going to happen is the guy with the need and the guy with the supply, the airplane, will eventually get together and cut out the middleman, which in this case would be Herreras.

Senator **Kerry**. How did you meet Mr. Herreras? How did you first come to know him?

Mr. **Palmer**. I was introduced to him in Miami there by Joe Haas.

Senator **Kerry**. Who is Joe Haas?

Mr. **Palmer**. He's a good friend of mine that I used to work with at TACA Airlines about 20 years ago.

Senator **Kerry**. When did you first meet Joe Haas?

Mr. **Palmer**. Twenty years ago.

Senator **Kerry**. You had an experience with him at TACA?

Mr. **Palmer**. Well, we flew together there.

Senator **Kerry**. After the TACA experience, did you continue to meet with Joe Haas?

Mr. **Palmer**. Well, when he was based in New Orleans and I was in Miami, I would see him on a frequency of about once every couple of years. He might be in Miami or he'd give me a call or that type of thing.

Senator **Kerry**. Now, when you were arrested in Colombia, did Joe Haas try to help you get out of jail down there?

Mr. **Palmer**. No, he didn't.

Senator **Kerry**. Was Haas a Customs informant?

Mr. **Palmer**. He is now. I assume he was then. I don't know what date he was documented by Customs.

Senator **Kerry**. Had Joe Haas been involved in narcotics?

Mr. **Palmer**. Working for the Government; yes.

Senator **Kerry**. When you say "working for the Government," what do you mean?

Mr. **Palmer**. Well, when you say "involved with narcotics," there's two ways you can be involved with narcotics. You can either be working for the Government or against them. He was working for them.

Senator **Kerry**. You can do both; can you not?

Mr. **Palmer**. Not to my knowledge.

Senator **Kerry**. You did both. You are doing both. You were a narcotics trafficker, and now you are working with the Government; are you not?

Mr. **Palmer**. No, you cannot do both at the same time, as I'm assuming what you're——

Senator **Kerry**. Some people can.

Is it possible to do both at the same time?

Mr. **Palmer**. Anything is possible, Senator, except that the slant of your question is——

Senator **Kerry**. I am not asking about you. I did not say did you or did you not.

I am just saying it is possible, is it not, for somebody to be an informant and also to deal with narcotics on the side for themselves?

It is perfectly possible.

Mr. **Palmer**. Yes, sure, it's possible.

Senator **Kerry**. Now, had Mr. Haas dealt in narcotics to your knowledge?

Mr. **Palmer**. Well, that's a pretty broad question.

When you say "dealt in narcotics," you're referring to in the scope that you just previously mentioned?

Senator **Kerry**. Let me rephrase it, then, so there is no question. To your knowledge, do you know whether or not he had dealt in narcotics illicitly?

Mr. **Palmer**. To my knowledge, he's never dealt with narcotics illicitly.

Senator **Kerry**. Did he also work for other Government agencies in that period of time?

Mr. **Palmer**. When you say "period of time," are you talking about between 1969 and 1985?

Senator **Kerry**. Yes.

Mr. **Palmer**. I assume he has; yes.

Senator **Kerry**. When you say "assume"?

Mr. **Palmer**. He's worked for other Government agencies. I don't know the dates, the times.

Senator **Kerry**. What agencies did Joe Haas work for?

Mr. **Palmer**. Well, he worked for the DEA. He worked for U.S. Customs. And I imagine he's had peripheral involvement with other agencies as a spinoff of DEA or Customs cases.

For example——

Senator **Kerry**. You say you imagine.

Mr. **Palmer**. Well, for example, he did a very large Customs case out of New York that was a weapons exportation to Poland that had ramifications back in the United States, and I imagine that the intelligence community might have been involved at some point.

Senator **Kerry**. It was your understanding at the time that you dealt with Mr. Haas post-1985 that he had these connections with the intelligence community; was it not?

Mr. **Palmer**. Post-1985?

Senator **Kerry**. Correct. Post-1985, you knew that he had connections with the intelligence community. In your mind, that was your assumption; was it not?

Mr. **Palmer**. No, that wasn't my assumption.

Senator **Kerry**. Well, you just said that he had this prior contact which you have alluded to.

Mr. **Palmer**. Well, I've never thought about it in the perspective that—you've asked me a question, and I'm just saying that I would imagine that as a spinoff of that one case in particular, the Customs case, that the intelligence community would probably have been aware of what's going on, and whatever communications they have had with Joe as a result of that, I have no knowledge.

Senator **Kerry**. Did you tell Mr. Haas about your potential legal problems and seek his advice?

Mr. **Palmer**. I've never told him about my legal problems. As a matter of fact, today's the first day that he's getting the full picture.

Senator **Kerry**. At any time?

Mr. **Palmer**. At any time.

Senator **Kerry**. Now——

Mr. **Palmer**. I mean, he obviously knows a great deal, but he's never had the——

Senator **Kerry**. So, Mr. Haas introduced you to Mr. Herreras?

Mr. **Palmer**. That's correct.

Senator **Kerry**. You struck up a relationship with Mr. Herreras?

Mr. **Palmer**. Yes.

Senator **Kerry**. That relationship led you to, in effect, have a sideline business with him while you remained a pilot and while you were smuggling drugs, correct, in 1983, 1984 and part of 1985?

Mr. **Palmer**. Well, actually we can put it in a timeframe.There were two trips that took place while I had that association, casual association, with Mr. Herreras.

Senator **Kerry**. Those were the two DC-6 trips that you made?

Mr. **Palmer**. That was the one DC-6 trip and the Queen Air trip, the ill-fated one.

Senator **Kerry**. What duties did you begin to perform for Vortex when you came back after this problem in Colombia?

Mr. **Palmer**. Vortex is a very small company. They only have like, including myself, there probably have been about four full-time employees, and I might do anything from dispatch a flight in the morning to fuel an airplane. I do paperwork in the office, answer the phone, take care of coordination with the airport people, anything.

Senator **Kerry**. Now, at that time was Vortex doing airplane maintenance and service for anybody?

Mr. **Palmer**. We're talking right now in the timeframe, I assume, of September?

Senator **Kerry**. When you came in in 1985; from 1985 on.

Mr. **Palmer**. OK. Vortex did maintenance for other people, sure.

Senator **Kerry**. Did it do some maintenance in Central America as well as at Miami?

Mr. **Palmer**. Well, we're jumping ahead a little bit now. This would be up until 1987. They had a contract to support some of the DC-6 operations associated with the Nicaraguan resistance.

Senator **Kerry**. That contract was through a separate "U.S. company"; is that correct?

Mr. **Palmer**. Yes.

Senator **Kerry**. Now, how during this time after you came to Vortex did you come to get a contract with the State Department?

Mr. **Palmer**. Well, it was—I think that that all started in about maybe October-November 1985. Vortex just got a call one day from an official in the NHAO office.

Senator **Kerry**. Do you remember who the official was?

Mr. **Palmer**. I didn't take the call.

But we were asked if we could receive some cargo that they planned to ship out to Central America, and we said sure. And I think the next day there was somebody from the NHAO office there, and there were a couple of trailer trucks of materials arrived. It was clothing and stuff like that.

Senator **Kerry**. The NHAO is Nicaraguan Humanitarian Assistance Organization Office?

Mr. **Palmer**. That's correct.

Senator **Kerry**. You were surprised to get this call? The call came out of the blue?

Mr. **Palmer**. Yes. Well, we got lots of calls out of the blue. I mean, you get calls for cattle to Venezuela, rare type of blood to some other place in the United States or whatever, and basically what we would do is supply, provide the complete wraparound service or whatever it is that you might need in the way of an aircraft.

Senator **Kerry**. Did you believe or do you believe at this time that this just came from a sort of perusal of the yellow pages?

Mr. **Palmer**. I'm relatively sure of it, because they've got—there's only four or five different freight outfits in Miami, and to my knowledge just about all of them have been involved with the NHAO activity at one time or another.

Senator **Kerry**. Did you come to have some personal communications with somebody in NHAO regarding this involvement?

Mr. **Palmer**. Sure. They had one fellow that administered the hands-on type. They were very efficient in accounting for every sock and pair of underwear, fatigue uniform, and so on and so forth.

And one of the people that was primarily involved with that was a fellow named Phil Kushler.

Senator **Kerry**. Did you finally sign a contract with the State Department?

Mr. **Palmer**. Yes. Well, in order for you to get paid for any work that you do, there is a format that you had to follow, and they put that together. They put that together, you know, in sort of their own nomenclature; if you will.

Senator **Kerry**. During this period of time, did you have some meetings with a Mr. Mario Calero?

Mr. **Palmer**. Yes, I did.

Senator **Kerry**. In what context did you have these meetings?

Mr. **Palmer**. Pardon me?

Senator **Kerry**. In what context did you have these meetings? For what purpose?

Mr. **Palmer**. Well, Calero was there to look over our operation; in my recollection, anyway, to look over the operation and see that we were performing the things that needed to be done.

Senator **Kerry**. Let me ask you if you would just take a look at these.

[Pause.]

Senator **Kerry**. What I am asking you to take a look at, as far as I think you will recognize it for what it is, is the contract which Vortex ultimately signed.

Do you recognize that?

Mr. **Kleiboemer**. Could we have just a moment?

Senator **Kerry**. Sure.

[Pause.]

Senator **Kerry**. Let me ask you about the first two pages there. That is a letter on Vortex stationery to Mr. Mario Calero, signed Michael B. Palmer, M.B. Palmer.

Do you recognize that?

Mr. **Palmer**. Yes, I do.

Senator **Kerry**. You recognize that to be a letter that you signed to Mr. Calero?

Mr. **Palmer**. Yes, it is.

Senator **Kerry**. It is dated February 21, 1986.

What does that describe?

Mr. **Palmer**. That describes the cost per block hour. "Block hour" is an hour spent from the moment that an aircraft leaves the ramp until it comes to rest at its destination. It's a per-block-hour price for the use of, in this case, a DC–4 or a DC–6, and below that it includes all of the services that are included in that block hour price.

Senator KERRY. That you would provide?

Mr. PALMER. Yes.

Senator KERRY. But this is directly between yourselves and Mr. Mario Calero representing Uno FDN; correct?

Mr. PALMER. That's correct.

Senator KERRY. That price was, in fact, to be paid as part of the NHAO expenditure?

Mr. PALMER. Yes. I'm not too sure as to how the circuit is made there. I assume that Mr. Calero makes a request to the NHAO people and then the NHAO people administer it.

Senator KERRY. Yes. What I am trying to ascertain, Mr. Palmer, is this was not a separate deal with Uno. This is part of the Vortex deal. Is that accurate? This was part of the NHAO contract?

Mr. PALMER. Yes.

Senator KERRY. I just want to put that into the record as the next exhibit.

[The documents referred to appear in the appendix.]

Senator KERRY. Then the subsequent pages that you see are a further description of the Vortex contract under NHAO. Is that accurate?

Mr. PALMER. That's correct.

Senator KERRY. With your signature on it; correct?

Mr. PALMER. Yes.

Senator KERRY. For the record, I will also state that these are part of the State Department file that has been declassified and will be made available publicly.

Mr. KLEIBOEMER. Mr. Chairman, could we retain these copies? Since they really have not been identified for the record, the only way is for us to keep a copy.

Senator KERRY. We will have a full copy for you.

Mr. KLEIBOEMER. Well, I would just like to be sure.

Senator KERRY. You may keep those.

Now, did you also personally have some discussions with people at the State Department regarding this contract? Did they come down and negotiate with you?

Mr. PALMER. Yes, they came down and——

Senator KERRY. Looked over the business?

Mr. PALMER. They didn't just make this contract over the phone. They came down and looked it over, asked us what we could do and that type of thing.

Senator KERRY. Now, this took place in the course of late 1985 or 1986?

Mr. PALMER. It would have to be late—I thought it was late 1985, but—yes. I think the first movement was like late 1985.

Senator KERRY. When Mario Calero and the State Department people came to visit you, what did they want to see at that time?

Mr. PALMER. Well, they wanted to see what we had done to accommodate their needs.

Senator KERRY. What does that mean?

Mr. PALMER. Well, we've got an office there, and our office—an office and a warehouse, but our warehouse is not big enough to take 80,000 pounds of supplies. So, we had to rent another warehouse that had a small office and phone and this type of thing, and an assembly area to put this stuff together for them.

Senator KERRY. So, you had to sort of change for them a little bit in order to be able to accommodate them?

Mr. PALMER. Sure. It was——

Senator KERRY. A different size of business?

Mr. PALMER. Right.

Senator KERRY. What exactly did you then do for the State Department?

Mr. PALMER. At first we put together the supplies for them in a way that they would be useful in the field; in other words, a pair of boots a belt, a pair of fatigue pants, a shirt and underwear, and so on. So, that once they arrive at their destination down there, wherever it may be, it can be efficiently transported to the field as opposed to dropping a gross of underwear down there and a gross of fatigues and somebody ending up with a bunch of underwear to wear and not having fatigues, that type of thing.

Senator KERRY. The purpose of that was simply to facilitate their delivery?

Mr. PALMER. Right, to facilitate their delivery. Then later on we got into actually delivering some of these supplies.

Senator KERRY. Let me suspend for 1 minute here.

[Pause.]

Senator KERRY. Now, as you stated, you said that some work was also done actually down in Central America contracted through a separate American company; correct?

Mr. PALMER. When you say "through a separate company," are we off on NHAO, or are we on something else, or what timeframe are we talking about?

Senator KERRY. This is a subsequent period. This is past the NHAO. You contracted for separate services past that period; is that correct?

Mr. PALMER. That's correct.

Senator KERRY. Now, there's been speculation on it, and I think I just want to ask this question for the record so that we clarify it.

During this period of time were you ever directly employed by the CIA?

Mr. PALMER. Never.

Senator KERRY. You never worked for them during this period of time as a contract employee?

Mr. PALMER. No, not as a contract anything.

Senator KERRY. And your role in the resupply operation was limited essentially to working for the State Department or for other contractors who were working directly for the Government; correct?

Mr. PALMER. Would you rephrase that, please, Senator?

Senator KERRY. Your role from 1985 on in the Contra resupply effort was either working for NHAO on the Vortex contract, or subsequently working for other companies that were directly assisting; is that correct?

Mr. PALMER. Well, I worked for Vortex, is who I worked for. Whoever the companies are that Vortex did service for, I would be involved in whatever activity was the normal course of Vortex's business.

Senator KERRY. But let's be sort of direct about the "I worked for Vortex." You were vice president. Your signature is on the contracts. You dealt directly with Mario Calero. You dealt directly with the State Department. So, you were very much a part of what Vortex was doing. It was not sort of somehow this big corporation was telling you what to do. You were making decisions along with Mr. Herreras as to what Vortex was involved in.

Mr. PALMER. That's a fair assumption.

Senator KERRY. Well, I do not want to assume. I mean, I want to make a statement that is accurate or is not accurate.

Is that accurate?

Mr. PALMER. Well, I don't want to mislead anyone that might be listening to our discussion here, and I'm not a student of the spoken word, and the drift of what I thought you said was that maybe I was working on the side for another agency of the U.S. Government.

Senator KERRY. Well, I think you are much more a student of the spoken word than you want to let on. I think you are very good, and you understand the nuances of all of this or you would not have stopped me there.

Mr. PALMER. I just want to be truthful with you, Senator.

Senator KERRY. That is what I am looking for. I want to understand whether you, in your capacity as an officer of Vortex, on behalf of Vortex, engaged in other activities that assisted the Contras that were not direct to the Contras but through other companies that were assisting them; is that accurate? You were working with other companies that were assisting the Contras; is that clear?

Mr. PALMER. That is an accurate statement.

Senator KERRY. Now, after the period——

Mr. PALMER. Excuse me.

Mr. KLEIBOEMER. Can the witness clarify the answer he just gave?

Senator KERRY. Sure.

Mr. PALMER. One of the reasons why I'm here is because there's been a lot of speculation in the press and all forms of the media as to what it is this mystery person has done. I don't want to over—to create a ghost here when there is none. When you said companies, there weren't other companies that we performed service for in association with this resupply or maintenance efforts that were taking place down there. We just had a contract with one company, and we performed maintenance for them and a couple of other ancillary services.

Senator KERRY. All right. Well, without naming the company, was the company a proprietary of the CIA?

Mr. PALMER. Do I know that it was a proprietary of the CIA, is that the question?

Senator KERRY. Yes.

Mr. PALMER. Do I know for a fact that it was a proprietary? No, I don't.

Senator KERRY. You don't know for a fact.

Mr. **Palmer**. No.

Senator **Kerry**. But you've made an assumption about that; have you not?

Mr. **Palmer**. Of course.

Senator **Kerry**. And the assumption is?

Mr. **Palmer**. The assumption is it was a Government entity.

Senator **Kerry**. I am not going to go any further than that, but that is what I wanted to ascertain, and I think we have it.

Now, while you were working on the State Department contract for Vortex, this was 1985 through the period that contract existed, did you at that time engage in any drug smuggling?

Mr. **Palmer**. No, I didn't. Any illegal drug smuggling; no.

Senator **Kerry**. But did you engage in some "legal" drug smuggling during that period of time?

Mr. **Palmer**. Yes, I did.

Senator **Kerry**. On whose behalf did you do that?

Mr. **Palmer**. I think that our first, the first case we worked was a conspiracy case on behalf of U.S. Customs.

Senator **Kerry**. And how did you then become involved with U.S. Customs?

Mr. **Palmer**. Well, it was about the time that we, during the State Department work, perhaps these are open cases that we are discussing right now, also, Senator. I want to remind you of that.

Senator **Kerry**. I am not going to go into any detail, and I want to caution you from going into any detail that in any way contained those cases because they are open. So, we can deal in generalities.

I just want to ascertain the fact essentially that while you were working for the resupply effort, you were simultaneously engaged, even though it was with the Government, in that process on their behalf, you were simultaneously engaged in the narcotics trade in one form or another, and this was legal; you were doing it with the knowledge of the Government and in their behalf.

That is accurate; is it not?

Mr. **Palmer**. Not in one form or another, but for the U.S. Government; that is correct.

Senator **Kerry**. Now, what plane did this involve?

Mr. **Palmer**. The very first proposed activity was with the DC-6 known as 3434F.

Senator **Kerry**. A plane which has previously been involved in narcotics smuggling; correct?

Mr. **Palmer**. That is correct.

Senator **Kerry**. A plane which had also been purchased with drug money; correct?

Mr. **Palmer**. No, that is not correct, sir. Well, at one time it was purchased with drug money but, you know, the history of this airplane is not unlike the history of, I don't know what restaurant you ate in last night in the city here, but it's very possible that you may have used the same fork or spoon or knife of, I don't know any nefarious criminals in Washington, but——

Senator **Kerry**. I used chopsticks last night.

Mr. **Palmer**. Well, I don't know if Ho Chi Minh, if those chopsticks came from a tree on his farm over there in China, but there has been sort of a thread of allegations throughout all the history in the press that assumes that, you know, because you have got this airplane with this number on here and it did this at one time and it did something else at another time, that they must be related. The only way that they are related is that the person that used them was involved in one activity at one time and involved in another activity at another. The airplane has no conspiratorial nature of its own.

Senator KERRY. No, but on the other hand, you can recognize that if people who know a certain plane is a narcotics plane and it is flying narcotics at one period of time, and people know that, and then they see the same plane at a later period of time flying narcotics while those same people are engaged in Contra resupply, whether it is legal or not, or they do not know it, what are they possibly going to think? I mean, you have got to understand——

Mr. PALMER. Well, you know, Avianca Airlines gets busted with giant loads of cocaine entering the United States two, three, four times a year.

Senator KERRY. Which?

Mr. PALMER. Avianca Airlines. I am sure it is not a byproduct of the fact that the people that are in charge of Avianca are drug smugglers. Probably it is at some other level.

So, the only point I am trying to make here is that, you know, there's——

Senator KERRY. Well, before we start making points, I think the key is to continue to draw the facts out, and I am going to give you plenty of chance to make any conclusions you want. I am not trying to shut you off at all. I want to get the facts out because I think they are going to help both of us to be able to draw some conclusions, and others, too, and I think that is important.

Let me come back to the question I asked, which was How did you come to be working for the Customs at this point in time? First think you do, you come back from Colombia and you go to work for Vortex, and then suddenly you are working for Customs.

How did that happen?

Mr. PALMER. Well, Vortex received an inquiry from another entity to perform a, what would at first blush appear to be a normal transportation transaction, but it so happens——

Senator KERRY. Another entity, is that an entity—I mean, are we being coy again here?

Mr. PALMER. No, no, it is not—when I say "an entity," I didn't want to name the company, not because it is a U.S. company, it is not——

Senator KERRY. It is a business.

Mr. PALMER. A business.

Senator KERRY. A legitimate business?

Mr. PALMER. Yes, I would say so.

Senator KERRY. A business not associated with any agency of the Government?

Mr. PALMER. Right.

Senator KERRY. OK.

Mr. PALMER. My attorney reminded me that some businesses that are associated with the U.S. Government are legitimate businesses.

Senator KERRY. It is amazing that he had to remind you of that.

Mr. **Palmer**. No, I just blushed over it because we sort of glossed over that particular issue. But let's just say it's a company out there, and they——

Senator **Kerry**. Just a good old, free enterprise U.S.A. company.

Mr. **Palmer**. No, it wasn't a U.S.A. company. And they called and wanted us to perform a—to transport something for them that was a restricted article. And so that's how we got involved with Customs.

Senator **Kerry**. Well, I am still not sure how that leads you to Customs.

Did you——

Mr. **Palmer**. Well, Customs had the jurisdiction over the particular offense that was involved.

Senator **Kerry**. Did you call Customs, did they call you?

Mr. **Palmer**. No, we called them.

Senator **Kerry**. All right, you sought to get involved with Customs.

Mr. **Palmer**. Well, we had a request to do something that was an illegitimate request.

Senator **Kerry**. I understand that, but that is not something that you had not done before.

Mr. **Palmer**. Well, that is true, but it is not something that—we are talking about post-1985.

Senator **Kerry**. I understand. I just want to ascertain—that is precisely the point I am trying to get to.

So, you made a conscious decision, I am going to get in touch with Customs here; correct?

Mr. **Palmer**. Correct.

Senator **Kerry**. OK.

And did you personally make the call to Customs?

Mr. **Palmer**. Yes, I did.

Senator **Kerry**. And you then created a—what, you began to get to know somebody there, and what happened?

Mr. **Palmer**. Well, we had a meeting, made some phone calls to verify the veracity of what was going on, and began to work this case.

Senator **Kerry**. And by "work the case," can you be more descriptive?

Mr. **Palmer**. Well, it is an open case now, Senator.

Senator **Kerry**. All right, fine. I will rest with that.

Can I summarize it by saying that this was the occasion where you became what is known as a documented informer?

Mr. **Palmer**. Yes, that would be the occasion.

Senator **Kerry**. So, you then became a documented informer for Customs.

Did there come a time when you became a DEA informer?

Mr. **Palmer**. Yes.

Senator **Kerry**. When was that?

Mr. **Palmer**. Shortly thereafter, about a month, month and a half.

Senator **Kerry**. What brought that about?

Mr. **Palmer**. There was a case, at that time the gentleman I mentioned to you before, Mr. Haas, was working in Miami for another air freight company.

Senator KERRY. Is this still 1985, late 1985 or 1986?

Mr. PALMER. Well, he was working in Miami late 1985, yes, but this event took place in early 1986.

Senator KERRY. Early 1986, all right.

Mr. PALMER. Right.

And Haas had some previous, as I mentioned before, some previous work with—as a matter of fact, a long history with Customs and DEA, and one of his contacts called him with reference to a cocaine transaction. What it was was some people that were looking for a connection. They had—their previous connection had been murdered, the whole family had been murdered, and they had no other way to get their importation in. They had money. They didn't have a contact down south other than a third-party contact that they weren't sure of the reliability of, and were shopping for somebody to assist them.

So, enter Haas, who figured that I probably had some contacts from my days in jail down there in Colombia that we could perhaps exploit and put the parties together with the Government in the middle. And so we—the FBI became involved in it originally. I was working with Customs at that time, and when the FBI called Customs to verify my reliability, they also told them what the nature of the case was, and Customs was upset about the fact that they weren't called about the case because they felt that their jurisdiction covered the area that the—you know, the actual importation. They felt that the FBI would not call them and tell them when it was coming, and there was an opportunity there for a clash between agencies.

At any rate, this dragged on for a while, and what finally happened was FBI dropped the case, Customs picked it up, and I don't know, you know, what the reason was. I assume that what it was was that Customs kind of wrested it away from the FBI, and then Customs in Miami decided they didn't want to work it there, they were going to send it over to New Orleans, and when they did, they sent Haas over there with it. It just happened to be a coincidence, he lives near New Orleans, he was headed over that way anyway, he knew the director of Customs in New Orleans.

They sent the case over there, and when they did, they sent it over without any data dump, if you will. You know, they didn't give the agents in New Orleans any photographs or transcripts of tapes or any of the supporting information for the case, and consequently, the case fell to probably the most junior agent in the office.

When Haas showed up over there, they got into a little conflict over the case. The agent didn't trust Haas and insulted him, and he just, you know, was upset by that, and he just said, "Well, look, if you guys don't want to do this, then fine." And he sent it out to DEA in McAllen.

Senator KERRY. Let me try if I can to sort of come to a conclusion as to that. The key here is that at that point in time, through that process, you did wind up with a relationship then with the DEA; is that correct?

Mr. PALMER. That's correct.

Senator KERRY. And did you become in effect a documented informer for the DEA at that time?

Mr. **Palmer**. Yes, sir.

Senator **Kerry**. Did you tell the DEA at that time about your career as a smuggler at the time you went to work for them? Did you tell them about it?

Mr. **Palmer**. We had a debriefing the day I was documented.

Senator **Kerry**. And how complete was that debriefing? Did you give them a full account?

Mr. **Palmer**. Well, I gave them enough to probably catch 30 or 40 years. I figured that was enough.

Senator **Kerry**. And so in effect, you didn't give them the whole story; you gave them enough for 30 or 40 years.

Mr. **Palmer**. I gave them basically my Vogel history. I don't believe, I can't remember now whether I told them about the Carroll incident or not. I didn't play up the extent of my involvement, but I told them about the DC-6, I told them about the——

Senator **Kerry**. It was enough to catch their full interest in what you had been doing?

Mr. **Palmer**. Oh, yes.

Senator **Kerry**. Did you also have conversations at that period of time with the FBI?

Mr. **Palmer**. No.

Senator **Kerry**. At some time did you?

Mr. **Palmer**. Well, that was early, in the very beginning of the case I just mentioned to you, that ended up with Customs and so on.

Senator **Kerry**. OK. All right. But no other separate relationship at that point in time.

Mr. **Palmer**. I was eventually arrested by them.

Senator **Kerry**. Had Joe Haas discussed with you at all any of this process of dealing with the DEA or Customs?

Mr. **Palmer**. That's a pretty broad statement.

Senator **Kerry**. Well, did you and Joe Haas talk about the fact that you were going to approach the DEA or deal with the DEA and try to, you know, be an informer for them and also with the Customs?

Mr. **Palmer**. No, that all happened as a result of that first case. As a matter of fact, I didn't even know it was going to go to DEA. It went to DEA in McAllen and was adjudicated there, over and done with very quickly. It was probably one of the easiest cases they ever did.

Senator **Kerry**. And did you do any other case for the Government while you were there at Vortex?

Mr. **Palmer**. Well, it was shortly after that one went down in Texas that I was approached by the DEA in Miami to help them with another undercover operation that involved the DC-6.

Senator **Kerry**. Is that the one that involved Detroit?

Mr. **Palmer**. No, I don't think so. No, this was a separate case completely.

Senator **Kerry**. Did you then——

Mr. **Palmer**. We did what they had asked us to do, and——

Senator **Kerry**. So, you flew drugs again. You flew a——

Mr. **Palmer**. This didn't involve a—it involved an attempt, but we weren't to pick up any product.

Senator **Kerry**. What year was this?

Mr. **Palmer**. 1986.

Senator **Kerry**. And this is the DC-6 that is part of Vortex; correct?

Mr. **Palmer**. Right.

Senator **Kerry**. OK.

Were there any other flights while you were part of Vortex that involved narcotics for the Government?

Mr. **Palmer**. In 1987 we flew a trip to Detroit, Michigan from Colombia.

Senator **Kerry**. Excuse me?

Mr. **Palmer**. In 1987 we flew a trip from Colombia to Detroit, MI.

Senator **Kerry**. In what kind of airplane?

Mr. **Palmer**. DC-6.

Senator **Kerry**. One of the same DC-6's we are talking about?

Mr. **Palmer**. Right.

Senator **Kerry**. Now, you were at some point arrested for your involvement in the Vogel-Carroll-Rich organization; is that accurate?

Mr. **Palmer**. Yes.

Senator **Kerry**. When did that take place?

Mr. **Palmer**. In June 1986.

Senator **Kerry**. And how did that come to happen?

Did that arrest come as a surprise to the DEA people that you were working with?

Mr. **Palmer**. It seemed to be a surprise; yes.

Senator **Kerry**. Do you want to describe how this came about?

Mr. **Palmer**. Well, the Detroit had been working on—the Vogel group that I know now, they had been working on it for several years, and this all came to a head and culminated.

Senator **Kerry**. I am fascinated by the way—I mean, I am not going to make a big point out of it, but to you it is the Vogel group. To Vogel it is the Palmer group. And to somebody else, it is the somebody else's group.

Mr. **Palmer**. I didn't realize that my star was rising so high. As a matter of fact, I saw Vogel testify in North Carolina about a month and a half ago, and they asked him the perfunctory questions, and he says, "Well, can you describe your involvement in narcotics," and he says, "Well, I was a partner in the Leigh Rich-Steven Kalish-Michael Palmer drug enterprise." And I thought that was very interesting, sitting back in the back of the courtroom there, that I then reached star status all of a sudden.

Senator **Kerry**. Well, were you not a partner with Mr. Carroll?

Mr. **Palmer**. I wouldn't say I was a partner.

Senator **Kerry**. Well, you made a lot of money with Mr. Carroll's organization; correct?

Mr. **Palmer**. Sure, everybody did.

OK, to that extent I would be a partner, sure. Anybody, I guess.

Senator **Kerry**. So, it is a question of terminology; is it not? It is a question of how people view the relationships.

Mr. **Palmer**. Well, it would be like, let's take a look at a corporation. A guy that is getting paid by the corporation to, I don't know, on a very low level, delivering newspapers, suppose it is a newspaper. I guess he is not really a partner in that corporation although he may make a good part of the money that is there.

Senator KERRY. Well, let me try and settle the dispute and ask you, when you were arrested in the Carroll-Rich-Vogel-Palmer enterprise or whatever we want to call it, you say it came as a surprise to DEA, and I would like you to talk about this a little bit. I would like you to tell me, you said they were working on the group of which you were a part, and that had been going on for a couple of years, and you were flying some drugs at this point into Michigan.

What was happening?

Mr. KLEIBOEMER. If we may have a moment.

[Witness conferred with counsel.]

Senator KERRY. Let me just ask you before you answer that, did it come as a surprise to you that you were arrested?

Mr. PALMER. Well, let me put it to you this way. I had heard that Vogel had been arrested, I think, 2 or 3 weeks before I was. I did not assume that I would be arrested that quickly. I assumed I would eventually have some problems but not that quickly.

While we're on that subject, I don't want to minimize my exposure or culpability as part of this criminal enterprise. I am very culpable. I had done some terrible things for a number of years. But I don't want to mischaracterize my involvement either to the extent it was and so on and so forth.

So, I'm a little bit sensitive to people battering my name around to the point where I'm all of a sudden a media star because I'm supposedly working for every Government agency under the sun and at the same time smuggling drugs for anybody that will pay me and so on and so forth.

So, please forgive my sensitivity to that subject, and I don't want to minimize myself because I am certainly culpable.

Senator KERRY. I understand, and I respect what you are saying. I just want you to indicate, at least it is my experience in these matters, that invariably memories are going to differ slightly as to certainly things, and certainly subjective appraisals are going to differ.

I think, however, the core of this is pretty straight. I do not see macro discrepancies except maybe in roleplaying and some things like that. I certainly can understand where those are emanating from, so I am not even concerned about them and I have not spent a lot of time on them.

I was really commenting on it mostly as an observation, not as a major point of contention because I do not think it is.

So, I appreciate your comment, and the discrepancies do not really affect——

Mr. PALMER. I've been pretty loose with the way I say the Vogel indictment. I say that because it was—the indictment was Michael Vogel, and others, and it's been referenced as the Vogel indictment.

Senator KERRY. I understand.

Mr. PALMER. So, I'm sort of tossing that around when we speak of it.

Senator **Kerry**. Let me come back to the question of how this took place. Where were you arrested? Let us see if we can move through this fairly quickly.

Mr. **Palmer**. OK. Well, I was arrested at my home. I had been out at the airport that morning, as a matter of fact, dispatching the last of the State Department flights that left rather early, about 6 in the morning.

I got back home, and the FBI was there waiting for me, and they arrested me.

Senator **Kerry**. Immediately when you were arrested, did you seek help from the DEA at that time?

Mr. **Palmer**. Well, I didn't have the opportunity until probably later in the day, and I let people know that I had been arrested.

Senator **Kerry**. When you were arrested, you were working undercover for the DEA; correct?

Mr. **Palmer**. That's correct.

Senator **Kerry**. You were flying drugs for the DEA?

Mr. **Palmer**. I hadn't actually flown any drugs for them yet. I'd flown or I had participated and hadn't actually flown the airplane but participated in an undercover operation that involved a conspiracy to import.

The airplane never picked up any drugs. It went out and came back.

Senator **Kerry**. Now, did you seek help from the Customs people that you were working with at that time?

Mr. **Palmer**. Well, the FBI asked me, you know, what it was that I was doing. I explained it. I told them I worked for Customs and here's the guy that I worked for and here's the DEA people that I'm working for.

Senator **Kerry**. Did you continue to work for the DEA after the arrest?

Mr. **Palmer**. Yes, I did. After I got out of jail I did.

Senator **Kerry**. I would like to ask you to describe in a certain amount of detail the flight back from Colombia in the DC-6 in connection with your undercover operation.

This was in the DC-6 which is the same Vortex plane that we have been talking about, I believe November 11 Victor X-ray; correct?

Mr. **Palmer**. No, it was 22 Victor X-ray.

Senator **Kerry**. Twenty-two Victor X-ray. That was the plane in which you flew this undercover operation?

Mr. **Palmer**. Yes, that's correct.

Senator **Kerry**. Can you describe it to us?

Mr. **Palmer**. The operation was a very thoroughly briefed multiagency operation.

Senator **Kerry**. Multiagency?

Mr. **Palmer**. Multiagency.

Senator **Kerry**. DEA?

Mr. **Palmer**. DEA, FBI shared it jointly. Customs was also probably in as equal a role. I know there was many, many Customs agents involved in it. Local law enforcement was involved.

Senator **Kerry**. So, everybody was involved.

Mr. **Palmer**. Everybody was involved.

Senator **Kerry**. A big briefing beforehand?

Mr. **Palmer**. There was briefings throughout, there was——

Senator **Kerry**. So, what did you do? You went down to Colombia?

Mr. **Palmer**. Yes. It was a very detailed—we had special frequencies we were going to talk on. We had call signs and code for the different agencies that were involved. The FBI was Fox Bat One, the DEA was Delta, Customs as Cosmos, and we were Charlie One, standing for the CI.

And the trip went fairly uneventful. We went down, picked up the load. We left Colombia right at just before dusk, and then the night sort of settled in real quick. That's about the darkest part of the world, I think, at that time of night because it's just like somebody drew the curtain down.

We were pretty heavy. We took off about 8,000 to 9,000 pounds over the normal max gross takeoff weight and arced out over the Caribbean heading on a sort of beeline for Detroit.

About an hour after takeoff we climbed up to about 4,500 feet, and I was talking to Detroit, telling them what we thought our position was and so on, giving them an ETA.

But we weren't at a point yet where we could navigate with any of the radio equipment we had on board. We had—the most sophisticated thing we had was Loran C, and that gets down to about as far as the southern Bahamas for accurate navigation. So, we were just what they call in aviation terminology dead reckoning our position, which is to sort of point it one way and figure out how fast you're going and look at a map and say I've gone this far, I should be just about here.

In the middle of my conversation with Detroit the No. 3 engine—we have a term we call "barked." It's a big backfire, and the normal response on DC-6 is you pull the power back on that engine. That's what we did, and then you analyze it with what they call an ignition analyzer, and it will tell you which one of the 18 cylinders may or may not be defective.

Senator **Kerry**. We do not need to get totally technical.

Mr. **Palmer**. OK.

Senator **Kerry**. You and I may be the only two pilots here, and as much as we enjoy that I think we want to try to move through. I want to get the gist of what took place.

You started to have engine problems.

Mr. **Palmer**. We had engine problems, and Detroit was wanting to know what we're going to do, and of course we didn't know what we were going to do yet because we didn't know how serious it was going to potentially be. We had another 11 hours of flying to do.

So, we told them to request permission for us to land in Wilmington, NC or Santo Domingo, and that gave us like two equally distant points that would be safe harbor for us in the event we couldn't make it all the way.

So, they got busy with that, and we got busy with trying to see what our problem was. And we had one other problem. The airplane kind of quit flying when we pulled the power back on that one engine, and we drifted from 4,500 feet down to about 4,000 feet before it started flying again, before we could maintain altitude.

So, I immediately started calling Customs or Cosmos, and they were supposed to be with us——

Senator KERRY. So, Customs was tagging you at a higher altitude in a separate aircraft; right?

Mr. PALMER. They were supposed to be right behind us, yeah.

Senator KERRY. You tried to get in touch with this Customs plane that had this special frequency with all this debriefing that took place?

Mr. PALMER. Right.

Senator KERRY. What happened?

Mr. PALMER. They wouldn't answer us if they were back there. This presented a real problem for us because they've got much more sophisticated navigation capability on their airplane. They would have been able to guide us.

The big problem that we had was that the southern tip of Haiti's got a mountain about 7,500 feet tall. We were at 4,000 feet, and we couldn't climb. All we could do is descend.

We couldn't go around Haiti on the east side because it would have been too far. We didn't have enough gas to make it from going around Haiti and the Dominican Republic to Detroit. So, our only choice was to take a stab at the little sliver of water between Haiti and Cuba called the Windward Passage.

Right there, the jurisdictional lines between Haitian air space and Cuban air space was kind of blurred, and Cuba takes and sort of hogs the channel, if you will. They take just about all the air space there. So, technically we were going to be flying through Cuban air space with a load of drugs on board and not able to talk to anybody.

And we decided that the best—the only thing we could really do was just go ahead and try to do exactly that. So, we took a heading on what we figured would be a direct course toward Cuba. We were in a lot of weather at this time, too, and we were kind of busy with that.

We flew for about another 40 to 45 minutes. I'm calling Customs the whole time. They're not responding, and we started to pick up Guantanamo Bay, Vortac, which is a navigational facility there. That helped us pinpoint our position a little bit better.

However, we were deeply in Cuban air space then, and Customs has a facility there at Guantanamo. If they had the frequency, they weren't talking to us either.

Senator KERRY. So, the bottomline is that you finally somehow got some engine back; you drifted through Cuban air space with drugs on board in a undercover operation with a Customs plane that you could not contact with all the briefing that took place.

You finally made it to Detroit; is that accurate?

Mr. PALMER. Well, we got through that area, and I called Detroit and told them that we had made it through and we were now on the other side of Haiti and things were looking a little better. The engine was in pretty good shape. We're going to be able to pull about 50 percent power out of it.

They said, "Oh, by the way, Cosmos just called us and said that your engine looks fine." I was a little bit surprised because I had been doing nothing but trying to contact Cosmos this whole time on the frequency, and so then I started calling them again.

Fifteen minutes later they finally answered with a very terse "Roger," and I sort of suspected that what they were doing was just shadowing us so that we couldn't do something nefarious and run off with a DC–6 that everybody in the country knew had drugs on board and land in some clandestine place, sell it to some Colombian or whatever that was out in the sticks there.

So, what I then did is try to keep them fully informed exactly what we had on board, who was on board, what the threat potential was, what altitude we planned on taking, what route we were going to be in, and this continued all the way up to Detroit.

We got to Detroit, offloaded the airplane. All that were there were the one Colombian that the Colombians sent up with the cocaine load, and the rest of the people at the strip were all undercover agents, FBI, DEA and Customs and local law enforcement.

Once we offloaded the airplane, we all hopped back in it and flew over to Detroit Metro Airport, taxied into the ramp. DEA gave me a radio to tell them where we were the whole time, and so I told them we're landing now, we're going to taxi on into this specific FBO.

We got in, taxied the airplane in and shut down, and I'm looking out the window there and the Customs King Air lands behinds us and taxis on in and blocks our airplane, just parks right in front of us as if we're going to start four engines on a DC–6 and run away, you know.

Then they got piled out of their airplane, and I start putting the airplane back in shape and putting our papers away and so on and so forth, and I got back to the back door and one of the guys says, "Hey, look at this." I looked out there, and there's two Customs agents. One of them's got his pistol drawn, the other one's got one of these fancy rifles with a real slender laser scope on it. And they were pointing the guns at us.

And one guy's telling us to get down out of the airplane. So, I thought, fine, you know. We had been up for 36 hours. This was kind of anticlimactic to what we had been through. But one thing that bothered me was I looked out and the guy had the pistol, and this man was scared. What that told me was that we just might have a real problem here because somebody's not talking to this guy. Somebody doesn't know what's going on here.

So, we went out of the airplane and let them frisk us and do everything that they do and so on and so forth. Meanwhile, there's a little crowd of civilians gathering over there by the FBO wondering what's going on. Here's this DC–6 here on a ramp. Here's Customs, they've got rifles and pistols drawn and four or five seedy individuals out there——

Senator **Kerry**. This is in the middle of an undercover operation?

Mr. **Palmer**. In the middle of an undercover operation. This was 7 in the morning, and all somebody had to do was pick up the phone and talk to Vince Wade at channel 7, and we'd have a real show on our hands because we had five simultaneous busts that were going to down throughout the United States and all of them were hinging on Detroit getting their act over with.

The only footnote to this was that after about an hour and a half of playing games on the ramp there, one of the Customs people said, "Well, OK, you guys are going to have to clear into the country now. Have you got your clearance form there, somebody?" The guy says, "No, I haven't got it, so and so's got it." He says "I don't have it, so and so's got it."

Then the bottomline was nobody had the proper Customs declaration so that we could clear in. They had plenty of things there to kill us with but they had nothing there to clear us with. But that's just——

Senator KERRY. Well, I think it is an instructive story with respect to the whole nature of our undertakings, the kind of undercover operations that go on, what the problems are with respect to this and, obviously, the problems of coordination and communication which raise a lot of questions in and of themselves.

But I think it is also important in terms of what you have been doing since 1985, and I wanted to try to go through that a little bit.

I want to come back to a couple of important areas while you were at Vortex.

We have some pictures over here that are blown up of the DC-6. Do you recognize that picture?

Mr. PALMER. Yes, I do.

Senator KERRY. What do you recognize that to be?

Mr. PALMER. That's 22 Victor X-ray.

Senator KERRY. That is the DC-6 that you had been involved with in drug smuggling and which also went to Vortex?

Mr. PALMER. Yes.

Senator KERRY. Now, I want to send a series of exhibits down to you which are all color photographs. Each one is a color photograph of a DC-6, two different DC-6's but the same planes all through these.

I would like you to peruse all of those pictures.

[Pause.]

Senator KERRY. Have you had a chance to see each of those? Do you recognize all those pictures?

Mr. PALMER. Yes.

Senator KERRY. Those are, in fact, two DC-6's, are they not, all those pictures? Is that correct?

Mr. PALMER. No, there is three.

Senator KERRY. Three DC-6's, three different planes?

Mr. PALMER. There is an aircraft here that Vortex did some maintenance on but never operated.

Senator KERRY. Never operated it.

Mr. PALMER. That's No. 13.

Senator KERRY. OK, exhibit No. 13.

Now, starting with exhibit No. 1, this is beginning in 1986. This is Vortex's one plane. You can see the numbers, 22 Victor X-ray. It started out with a red stripe in December, in April went to a blue stripe, on April 2 became a different color, different name, then switched back again on January 15?

Blue and orange, I guess it is as I look here.

What was the reason in the span of 1986 to 1988 for all those stripe, color, and registration changes?

Mr. PALMER. Well, every time we performed an undercover operation on behalf of the Government, at the same time we are getting quite a bit of media attention because of all the speculation about the Contra resupply effort and so on. And what we tried to do was on the one hand, after an undercover operation, tried to disguise the airplane so that retribution couldn't be taken from the subjects of whatever indictment resulted.

And on the other hand, and very unsuccessfully, I might add, to try to kind of keep the press guessing as to what the real identity of the airplane is because one of the problems is this airplane was involved in legitimate, regular, commercial activity, and we really did not want to have one of the airlines that we did subservice for have to go through the embarrassment of some newspaper or television article that portrayed the drug plane as now flying for Dominican Airlines, for example.

But like I say, it was largely, as far as the press is concerned, trying to reidentify. All it did was just pique their curiosity even more. But as far as the undercover activity that we performed, it fulfilled its purpose of disguising the airplane.

Senator KERRY. I understand that, and I can totally understand, I think, but the fact is that the drug plane was flying. It was simply disguised.

Mr. PALMER. I'm sorry, it was flying?

Senator KERRY. Well, the drug plane was in fact the plane that was flying for these companies. I mean, are you hedging?

Mr. PALMER. Well, like the Ho Chi Minh chopsticks were the ones you ate with last night; yes.

Senator KERRY. Well, I am definitely not trying to play a game here. I am just saying that you are suggesting that by changing the stripe and the number, it no longer was the same airplane.

Mr. PALMER. No, I am not suggesting that at all. What I am suggesting is that for purposes of the next undercover operation or for purposes of retribution that may be taken by the drug people that were taken down as a result of the use of this airplane, we wanted to keep the airplane.

Senator KERRY. But you testified to two undercover operations with the DC–6.

Mr. PALMER. Well, I testified to one, a Customs conspiracy early in my testimony. Now, we are not talking about just the export violation. There was also a drug violation we were working.

Senator KERRY. Now, wait a minute. Are we now saying that there were more flights than you have testified? I asked you how many flights there were.

Mr. PALMER. No, there was a conspiracy case that we were working on behalf of U.S. Customs, and this airplane was going to be used, and Customs installed a special transponder on it to facilitate tracking the airplane. It's another case. It's one of the early, early cases that took place.

Senator KERRY. Which plane was going to be used for that?

Mr. PALMER. The same one that you have on the easel.

Senator KERRY. OK, but the first plane only flew one drug operation.

Mr. PALMER. No, I—you know, in the interests of time I guess we kind of glossed over that, but do you remember I mentioned earlier that the DEA came to us and asked us to lease the airplane. We weren't going to pick up any drugs, but we were going to go on a drug run with bad guys on the airplane and good guys on the airplane, and we did exactly that. However, in the process of doing it—we did it twice—we exposed the airplane to the characters in this little cartel, if you will, that were, you know, interested in using the airplane for the illicit use.

So, it became necessary for us to change the identity of the airplane again so that these people wouldn't know that the same airplane was used.

Senator **Kerry**. Let me try and pursue this a little bit.

So, there were two undercover operations on the first plane; correct?

Mr. **Palmer**. OK, when you say the first plane, we are talking about this airplane.

Senator **Kerry**. Yes. We are talking about the first plane, 22VX, two undercover operations; is that accurate?

Mr. **Palmer**. Do you want to talk about operations or flights?

There were two undercover operations. My nomenclature would be an operation is a flight. Now, the particular, the case may involve one flight, two flights, three flights, no flights. We might take people out to the airplane, show them the airplane, say this is your airplane, if you want to use it, fine, if you don't, fine, whatever.

Senator **Kerry**. For undercover?

Mr. **Palmer**. Sure.

Senator **Kerry**. When you say take people out, I mean, were you not working? How many different people did you have to take out to convince that they might want to use the plane or not use it for undercover?

Were you not just working with the DEA?

Mr. **Palmer**. No, sir.

Senator **Kerry**. Where are we losing each other? You are working with the DEA.

Mr. **Palmer**. We had, the very first involvement I had was with Customs.

Senator **Kerry**. And Customs knew what kind of plane you had.

Mr. **Palmer**. They knew what kind of plane we had, and so did the people that we were working undercover against.

Senator **Kerry**. So, why was it important for them to come out and see the plane and check it out?

Mr. **Palmer**. Well, you know, there's money involved in this, and there's also, you know, I could also in the drug business, there's a lot of people that say they can do things that they can't do, and they say they have got airplanes they don't have, and so it was the normal course of things.

Senator **Kerry**. Well, did you suggest this operation to them?

Mr. **Palmer**. To whom?

Senator **Kerry**. This operation, was it your idea?

Mr. **Palmer**. Of course not. I don't mean that flippantly. The reason we were involved in the undercover operation was because we were solicited by either one, the DEA, who had targets they were interested in, we had an airplane, they needed the airplane in the operation.

Senator **Kerry**. Well, then, if they solicited you and you had an operation and they knew, I presume they solicited you because they knew you could do the operation.

Mr. **Palmer**. They assumed we could; yes.

Senator **Kerry**. Why was there a need for them to then visit these different planes to make judgments about the operation?

Mr. **Palmer**. Well, it's not the DEA that visited. It would be the targets that visited. In other words, you've got—you may have 12 or 14 people that are involved in this group that wants to make an importation into the United States.

Well, they may have pilots that are part of the group, they may have no pilots that are part of the group, but whoever is paying for it—and it is not going to be the DEA paying for it. It is going to be the targets—are going to want to see what they are paying for.

Senator **Kerry**. And how many different target groups came out?

Mr. **Palmer**. With reference to this airplane, I would say there are three that came out, and then there was also the exposure that the airplane took when it actually went down to Colombia and picked up a load.

Senator **Kerry**. It went down to Colombia and picked up a load once; correct?

Mr. **Palmer**. No, it went down to Colombia and picked up a load twice.

Senator **Kerry**. Two trips to Colombia, two exposures, two changes of stripe and registration?

Mr. **Palmer**. Right.

Senator **Kerry**. What explains the other two changes of stripe and registration for the plane, for plane No. 1?

Mr. **Palmer**. Well, let me examine the record here. You've got plane No. 1 is 22VX, registered to Vortex with a red stripe. That is as of December. That is the way that the airplane was. It did an undercover operation in that particular format. So, you have got 2, 3, and 4 that are the same airplane with the same identification except they have a blue stripe instead of a red stripe.

OK, then you've got N70069, Universal Air Equipment, and that was the time that it was changed, after the last DEA undercover operation. Now, that was also the identification it had during the Detroit undercover operation, and No. 8 is the change that resulted from the Detroit undercover operation.

Mr. **Kleiboemer**. Mr. Chairman, if I could clarify the exhibit as I read it, although you have eight photographs of plane No. 1, if you give me the fact that photo No. 1 is the original condition, then in spite of the impressiveness of that exhibit, it merely shows that the painting on the plane was changed three times.

Senator **Kerry**. That is accurate.

Mr. **Kleiboemer**. That would be consistent with the testimony.

Senator **Kerry**. I understand.

We are just trying to ascertain absolutely.

There was a lot of interest in this.

Did you know these photographs were being taken? Did you know people were——

Mr. **Palmer**. We saw people out there all the time, sure.

Senator **Kerry**. Why, it seems to me very strange that with people out there all the time and lots of photographs being taken and the whole amount of interest taken in it, that this was considered undercover.

Mr. **Palmer**. Well, we did our best to try to shoo people off and this type of thing, but it is a big world out there. We didn't catch very much attention in the local newspaper. We got a lot of attention up in Detroit. It has been a real interesting story, or speculative story for them up there, as I'm sure you are aware.

Senator **Kerry**. Let me just suspend for a moment.

[Pause.]

Senator **Kerry**. On the second plane, can you link, so that we are very clear as far as the record goes here? Let me also ascertain, I take it since you were working with DEA, that DEA has a record of all of this; is that accurate?

Mr. **Palmer**. I am sure they do.

Senator **Kerry**. And you were working with Customs, Customs would have a record of this.

Mr. **Palmer**. Probably a classified record someplace.

Senator **Kerry**. Who were you working with at Customs here?

Mr. **Palmer**. Do you want me to name the individual?

Senator **Kerry**. Well, I would like to have your understanding that we are going to know both your contact at DEA and Customs in closed session or privately afterward so we can deal with that, OK?

Mr. **Palmer**. All right.

Senator **Kerry**. And the second tier.

Mr. **Palmer**. All right. You have got plane No. 2. Let me just point out for the record here that by my calculation here, you've got plane No. 1, you've got two changes in striping, two changes in N number, registration number, and one change in company. And of course, each of those would have been, you know, there was a simultaneous registration number change with the company change and the striping change on one of them, so essentially what you've got there is just two changes out of the eight photos, and plane No. 2, the airplane, when we operated it commercially, was 11VX. It had the blue and orange stripe and the fancy DC-6 up on the tail. It was distinctive for the commercial operation.

But when we sold it, they requested that we make it a little less fancy; hence, the grey paint job and striping.

Senator **Kerry**. Who made that request?

Mr. **Palmer**. The people that we sold it to.

Senator **Kerry**. Now, who paid for the cost of the repainting of each of these?

Mr. **Palmer**. In the plane No. 1, we absorbed that internally, the cost. We've got mechanics on staff, and the painting, it is a cost, but it is one of those things that just has to be done. Nobody paid us directly for that.

Senator **Kerry**. It didn't strike you that the continuous repaint jobs were going to excite the press more than they might have done otherwise?

Mr. **Palmer**. Well, you have to weigh the threats. I don't think the press is purposely out there to have me killed. They are just trying to take care of their legitimate interests, and unfortunately for us, I think that we gave ourselves a little bit more attention than we deserved. But that's the way it goes.

Senator **Kerry**. Did there come a time while you were at Vortex when a Vortex plane was stopped at the Miami airport for a Customs inspection?

Mr. **Palmer**. You must be referring to the incident in March 1987.

Senator KERRY. Yes.

Mr. PALMER. This was, for us, it was just a very normal situation. What it was was we were notified that a DC-6 would be coming to the United States for normal maintenance, and it happened to be, one of the airplanes that we had a contract to service that was working in Central America. It was a Saturday, if I recall correctly, and I was—the note we got said that the airplane would be in at 1 o'clock in the afternoon, and I was off getting a haircut, and I got a call on my beeper that the airplane had arrived at Miami at GAC, which is General Aviation Customs, and it was having a problem clearing Customs.

And so I left the barbershop and went to the GAC ramp, and on the ramp there was about five or six Customs inspectors of various ranks, in sort of a state of agitation, and I identified myself as Mike Palmer with Vortex, and I asked if there was anything I could do to help with whatever the problem was there.

And they insisted on seeing my ID. I showed them my driver's license, and they asked me if I worked for the Government, and I told them "No." I told them I worked for Vortex, and we had been hired to do maintenance on this airplane and handle its arrival into Miami.

Senator KERRY. Let me just ask you very quickly, is it not a fact, did the crew not protest that inspection because the agents were really going into the plane?

Mr. PALMER. Well, what happened was the crew was disembarking from the airplane, it looked a little strange. It is a grey airplane, similar to this picture here, and it has got some fancy radios and a radio pedestal, and the crew was disembarking the airplane. I wasn't even there, then, so I am getting—this is the crew's version, but I believe them. They have got no reason to lie. The inspector came up there with screwdrivers and pliers and this sort of thing, and they were eyeballing the radio panel, and one of the crewmembers said that, "You know, be careful of the radios because you are liable to"—before he could finish his statement, the Customs inspector cut him off and told him that he would inspect whatever it was that he felt needed to be inspected, and he proceeded to carry out his inspection.

The crew left the airplane, went inside, and went through a very, very thorough inspection. And the Customs people had been on the ramp after all this had been completed for about a half an hour by the time I got out there. And they didn't know what to do. There was no contraband on the airplane.

Senator KERRY. Well, they didn't complete their inspection; did they?

Mr. PALMER. Pardon me?

Senator KERRY. They did not complete their inspection, did they?

Mr. PALMER. Oh, yes, they did, thoroughly, inside and out.

Senator KERRY. Who did you tell them to call?

Mr. PALMER. I didn't ask them to call anybody. I asked them who it was, who it was there that would take responsibility for clearing the airplane, and the inspector that was on duty said the only person that can clear this airplane was Harry Cairns, and I said, "Well, who is Harry Cairns?" and he said, "Well, he's the southeast regional director of Customs." I said, "Well fine. If you will give me his phone number, I will put him in touch with management for this airplane so that they can sort out whatever their differences are and it can be cleared, and we could get to the work we needed to do on this airplane tomorrow."

He said, "I can't do that. Harry Cairns—this is Saturday, and Harry doesn't work on Saturday." And so as politely as I knew how to ask him, I said, "Well, is there anyone here who can accept responsibility for clearing this airplane, and if there is, I will put the management of the company that owns it in touch with them." And they hemmed and hawed around for about another 20 minutes, and finally they gave me the name of a female Customs inspector that was over in the cargo area that wasn't even part of this dog-and-pony show they had going.

And I called her, and she agreed to accept responsibility. And then I called management for the company that owned the airplane and explained the problem, and I guess they got it sorted out.

And the Office of Investigation with Customs sent a couple of agents out there to the airport, it turns out I knew one of them. It was all very low key. There was never any exchanges or threats or you know, don't touch this airplane or any of that kind of business. It just never happened.

And so it was all over and done with, and I called—what had happened was that the teletype that was the notification that this airplane was coming in just didn't arrive at the right place at the right time, and I assume the inspector was trying to do his legitimate duty out there, but it was just one of these——

Senator **Kerry**. Had the particular notification that you are talking about arrived, that plane would have sailed right through; is that accurate?

Mr. **Palmer**. Well, I do not know, because actually, the same inspector was on duty 2 months prior and a notification had come in, but for some reason Customs had it in downtown Miami, and they didn't send notice out to the airport, and when this guy backtracked through his system, he found out that there had been notification that this airplane would be there, and he started complaining about his people.

But the second time, the same airplane came in, and I guess he had kind of a kneejerk response since he could find no notification.

Senator **Kerry**. Why did this become a problem? Why did it become a flap?

Mr. **Palmer**. It shouldn't have become a flap.

Senator **Kerry**. Why did it?

Mr. **Palmer**. I think it became a flap, though, because there seems to be an intergovernmental agency sort of competition, if you will, and a reluctance not to yell and scream when accidentally somebody's toes get stepped on. I mean, I am sure that you are intimately aware, as I am now from my own involvement, that agencies of the Government overlap. They must overlap. If they don't, the cracks and crevices between the lines will be exploited. However, when you have an agency that competes to the point where they are willing to embarrass another agency, then you are going to have these types of incidents, and you will have the type of incidents that happened to us upon the ramp in Detroit, that could have happened to us out in the middle of the Caribbean trying to wind our way through the Windward Passage with a bad engine. It is just one of those things that happen.

Senator **Kerry**. Now, did you ever tell Michael Vogel that you had a Customs official compromised who provided you with information for your smuggling?

Mr. **Palmer**. No, I didn't tell him I had a Customs official, I told him I had a DEA official. However, he is—this was back in our early smuggling days, early smuggling days, 1983, this was the time, about the time that I decided I was going to unwind my relationship with Vogel and Vogel was bragging about the fact that at the time he had some very strong Teamster relationships that could do anything that he wanted. In fact, he was talking about he wanted, there were some airstrips that they had control of in Ohio that he wanted me to go look at and consider flying to, and I wouldn't even go over and look at them.

He started bragging then about there was an individual that was somewhere in his organization that he was going to have to take out, meaning kill, and that his Teamster connections would handle it for him.

I brushed that off completely because I knew that Mike was—you know, I mean, he's a liar, that was his nickname in our group was the Liar, and I figured that, you know, this is just another, this is another one of his stupid bragging things, and I brushed it off, but what it signaled to me was that we were no longer a bunch of fun-loving, Jimmy Buffett types that are just out there doing something that is in song and legend, and that, you know, you rationalize it down to the ends of the Earth. I think that one of our forefathers, was it Alexander Hamilton? Was he the Prince of Smugglers? Was that his name?

At any rate, it sort of signaled to me that this was one of the things that was never even discussed the physical harm or any of this type of thing. So, I decided I was going to unwind the relationship, and it was also about that time up in Detroit I overheard one of his, I don't remember whether it was his brother. I was at his house, and there were some of the people that were there that were talking about this huge smuggling venture, in excess of 200,000 pounds, and I'm out in the kitchen, and I'm listening to this, what are we going to do with the trucks, what are we going to do with this, that, and the other thing.

I knew then that we were way, way over our head because what was ultimately going to happen, I mean, you just don't do an importation like that and not have the world know about it. So, I waited until a couple of weeks, Mike was down in Miami, and I cooked up this story, and the story was that I had a DEA agent on the take, and they were looking at, and if he knew anybody that had a large smuggling trip underway, that they were just about ready to get popped, that they had all the resources in the United States that they were capable of mustering look at this thing, 24-hour-a-day surveillance from satellites and C-130's and AWACS and everything else, that these people were going to go down hard.

I didn't know where it was going to go into. He sort of let that out of the bag. He said, "Well, whereabouts was it," and I said, "Well, I can't really remember. It was some coast." He said, "Well, was it in the gulf," and I said "Yeah, I think it was in the gulf," and we went through one of these type things to where he sort of narrowed it down and I sort of played to the audience for him.

I was convincing, and he pulled out of the conspiracy.

What I didn't think through was that, you know, once the thing did work and nobody got busted or anything that how was I going to deal with Vogel's accusation that I lied to him.

The way I dealt with that is I just told him, "Hey, I'm not lying to you. It's the truth. They're all going to get busted on this. They'll all get taken down." Of course, even to this day it's never been prosecuted.

It arrived without any problems whatsoever, and despite Vogel's assertions that the difference between getting busted or not was a red or a blue rope, I really hope that whoever, if this is a true statement that he's making, that whoever the law enforcement people are out there are not letting the sun rise and set on an importation of that size over a red or blue rope.

It couldn't have been. The thing worked. Everybody got paid, and Vogel carried a grudge even to this day. But he got even with me when he financed the *Sea Maid* with my money.

Senator KERRY. Well, I am not sure that we are going to serve a purpose here in getting into the intricacies of some of the relationships as to every aspect of red rope, blue ropes, Customs agents lies, no lies. We would be here forever trying to pick through that morass.

I think the key question here is the nature of the smuggling operation, what was going on, and what you were doing.

By your own testimony you have told us about your relationship with Gerry. You have obviously said here that you do not minimize your involvement, that you were bringing in narcotics and flying back and forth. Whether it was 25 or 30 loads or whatever, this committee is obviously not going to resolve that issue, nor do I think we have to. I do not think it is relevant.

I think the key questions here are very clear. There are many of them. Some of them are posed by your presence here, and I will try to summarize my own in a few minutes; but I want to ask you a couple of questions.

Here you are. You have just admitted again and said, "Look, you know, I did not trust them, this thing was going to come down on us, I saw this load, the thing was falling apart." All of a sudden you spend more than 3 months in jail in Colombia.

You, by your own testimony today, said that at that time you rethought your life. You considered that you had "trashed it," to quote you. You talked about how you wanted to try to remake it and, bang, within months you are working for the State Department, you are helping the Contras, you are a documented informant of the DEA, you are a documented informant of Customs, you are working on undercover operations, all preindictment, pre-Vogel indictment, pre- anything else, but you, yourself, have said this world is coming tumbling down.

Then all of a sudden you are on the other side, scrambling and helping everybody, working with almost every agency out there that is involved in this. Some of them do not even know it amongst each other, as your own testimony has been today.

Then, lo and behold, you are arrested, and Michael Vogel is doing time and Michael Palmer is not.

Mr. PALMER. May I address that statement, Senator?

I might remind you that when I got out of jail, I came back to the United States and was trying to put my life back together again, Vogel was still out there. As a matter of fact, he had one of the biggest importations of 1985 on the ocean heading north.

I made a conscious choice. He could have very well made the same choice. He did not. Now he is remorseful, and the Government has rewarded him for his remorse. He had his sentence reduced in half. He feels like he may get a further reduction. I wish him all the luck in the world. I hope that he straightens his life out.

I know one thing. I know both sides. I know where the line is. I know I'll never be on the other side.

Senator KERRY. Well, I accept that, Mr. Palmer. I really do. I think all of you made a mess of your lives, and you have contributed to the messing up of a lot of lives of other people in this country.

Obviously I am appreciative and the committee is appreciative of the fact that you have come forward here and you have helped to shed light on this whole mosaic.

I have to tell you, though, that something is out of kilter, and I think your testimony has underscored that. When we see the way in which agencies are not talking to each other in the so-called drug war, when we begin to see the haphazardness of these kinds of so-called undercover operations in which photographers are documenting and chronicling the changing of the stripes and numbers on aircraft, the absurdity, not to mention the impropriety, of a Government contract going to someone who has been involved in a significant drug operation over a long period of time, who has been arrested in Colombia, busted as an airline pilot.

All of a sudden we are handing out U.S. taxpayer dollars to support their businesses, something is wrong here. I think it is something we need to understand more about.

In addition to that, it seems to me a kind of craziness in the midst of all that was going on at the time of a contractor to the Nicaraguan Humanitarian Assistance Office flying in an exdrug plane in a company that has been involved in this that is working simultaneously in narcotics undercover and at the same time supplying goods to the Contras out of that same company.

It just raises a lot of questions about judgment. Not your question, incidentally; other people's questions. This is not a reflection on you. You did not make these choices but they certainly have led considerably to confusion, and I think there is still some to sort out here.

We will have other witnesses here who will shed further light on this. This is really a beginning in that sense.

It seems to me, however, that your testimony, while it has answered some questions, has also raised a number of others, at least from this Senator's perspective.

Mr. PALMER. May I address this? There are several questions that are sort of intertwined with your statements.

One of them is, one of the things that the agencies, if you will, have to come to grips with is the allocation of tax dollars, for instance. Neither the DEA, the FBI, Customs, anybody has available to them an airplane like this to do an undercover operation with. They just don't.

I think they may be restricted by law to even do it. I know that the agents themselves cannot go to a foreign country in an airplane to do this type of undercover work. They're restricted by some sort of bilateral agreement. So, enter someone like me that will do it.

But then you've got the other problem, the airplane. I imagine that one of the reasons why they use civilian airplanes like this is that how would it look to, say, the Colombian Government if they seize a U.S. Government-registered airplane on some strip down in Colombia that went down to pick up a load, regardless of what the intentions were?

These questions there probably isn't an answer to because you've been back and forth, back and forth throughout history here on which way that's going to go. Needless to say, the very few dollars out there that there are to allocate for funding for an undercover operation like this.

The entire Intruder Project that we undertook, there wasn't a dime of taxpayer money that went into that. It was all trafficker money. We're talking millions of dollars.

Senator KERRY. Is it not accurate that you also bought some drugs with your own money as part of an undercover operation? Did you have to put up some money to do that?

Mr. PALMER. When you say "bought drugs," what you're referring to is I used my own money to support myself and support part of the operation, hotel expenses, airlines fares, and so on and so forth while this thing was ongoing.

Purchasing drugs is not an accurate statement. This thing is the undercover operation.

Senator KERRY. That is what I am saying. No, no, no, I meant that. I am saying that you helped fund the undercover operation from your own money.

Mr. PALMER. Well, to the extent that I'm in the hole about $300,000, as is Mr. Haas, at this point.

Senator KERRY. Let us come back for a moment if I may.

Yours was not the only company that was involved one way or the other, and I say one way or the other, in narcotics trafficking at one point in time or person involved in it who became involved in this network that was assisting the Contras in one way or another, either through an NHAO contract or through the private network.

So, I think, given the fact that prior to 1986 these kinds of allegations were around, for this kind of contract to be issued in the face of all of that is extraordinary and, in fact, has proven, as I think you know, to be very embarrassing to those who have subsequently learned that you were a narcotics trafficker.

Is that accurate?

Mr. PALMER. I hate to ask you to restate that.

Senator KERRY. I would hate to have to try it.

Mr. **Palmer**. I think the bottomline was that I was a narcotics trafficker that was involved in legitimate entities with the United States after my narcotic trafficking days were over. That's a true statement.

To those that choose to look at it with disdain because the United States is using somebody in this capacity, that's their right, as it is certainly the right of your committee and the U.S. Congress. I can't apologize for it. I did the best I could.

Senator **Kerry**. Well, I understand that, and nowhere have I implied or does this committee mean to imply today that you were at that time also doing drug trafficking. We do not have evidence of that, and we have not asserted evidence of that.

There is no attempt here to have a brush that sweeps you and says because you were doing it earlier you were also doing it later. That has not been raised by the committee, and I do not want to imply it. I do not want that impression remotely implied. That is not what your testimony is important in underscoring.

There will be other witnesses who will come here and testify to their involvement of simultaneously running drugs and also assisting the Contras, so I am not even looking to you for that. That will happen.

What I am disturbed by here, and the process by which it happened will become more clear at a later time as to how this kind of contract could be meted out under those circumstances so that we find ourselves in this kind of duplicitous situation where something that should have been clean as a whistle without any ambiguities, without any potential for misunderstanding, was in fact absolutely the opposite. It was tied up in the midst of undercover operations of agencies that thought they were trying to stop drugs and found they were involved with CIA or other people.

That is what has helped, I think, to undermine policy as well as to raise numerous kinds of questions. It is sloppy. It is negligent. It is not very coordinated. It is not very smart, not to mention that I think the notion that people who have been involved as you have as part of a significant narcotics operation are all of a sudden OK to receive Government contracts without us having the ability or the sense or the efficiency to be able to make judgments.

Again, none of this is you. This is folks outside who have made these choices, but it seems to me that it just raises a lot of questions and it is part, I think, of what has created a lot of problems in this policy.

Now, let me just check on one thing.

[Pause.]

Senator **Kerry**. Mr. Palmer, let me just say to you that the subpoena which you are under will continue to run, and I will deal with counsel as to when or if we will need to have you come back with respect to any of these matters.

For the moment, however, for this afternoon we have gone well past the period that we expected to. There are some additional issues we need to raise, but we need to have them researched before we raise them.

Counsel, did you want to ask a question?

Mr. **Kleiboemer**. I was going to ask you to ask a question, Mr. Chairman.

There has been a lot of speculation and a lot of previous testimony before this testimony as to why the indictment against my client was dismissed.

Senator KERRY. I would be delighted to ask the question.

Mr. Palmer, let me ask you to the best of your knowledge if you know why the indictment against you was dropped?

Mr. PALMER. About the middle of this last undercover operation, it was apparent to the Government I couldn't be doing two things, going to trial and performing the undercover operation. They offered me a deal to plead to a 5-year cap as a maximum with no minimum, depending on what the outcome of the operation was that I was involved in, recognizing the fact that I had been involved in operations that were completely adjudicated prior to my indictment in Detroit.

Once the operation was successfully concluded, they also determined that because of the nature of the people that were involved in the operation on the bad guy side, it would be impossible for me to protect myself if I was under any type of constraints that are involved with a conviction and subsequent loss of civil rights and so on and so forth.

They elected to dismiss my indictment. This was a local decision. It was not a decision that came from Washington. It was not a decision that was influenced by the State Department, CIA, the U.S. Congress or anybody, only by the parties that were interested in my prosecution or lack of.

Senator KERRY. Let me say that I will accept that for the record as your counsel undoubtedly agrees or I presume will agree, and I do not want to step on dangerous ground.

But I think that he will agree that it is impossible for you to really say whether or not there were any other parties interested or whether any other communications took place. To the best of your knowledge you do not assume so, and you personally have no reason to believe but, in point of fact, others may have been interested or may have interceded without your knowing it.

Mr. KLEIBOEMER. Senator, if I could respond to that.

I understand that the assistant U.S. attorney in charge of the case in which the indictment was dismissed against my client has in response, I take it, to a request from this committee or someone here in Washington drafted a written statement which is substantially to the effect of what my client has said just now to you.

I was briefed concerning the contents of this statement. My client is accurate. I can vouch for the fact that he has given you very much what is in the statement.

So, the inference that there were other parties involved is not fair.

Senator KERRY. Let me answer that and say that staff for this committee has been informed by a member of the law enforcement community in Michigan that there was a meeting here in Washington of all the agencies involved prior to the disposition of Mr. Palmer's case.

So, I think, at least from my perspective, and I am not making a judgment but simply saying to you there is certainly a question which is open. I am not asserting there was. I know the meeting took place, and that is all I am saying.

Mr. **Kleiboemer**. I was at the meeting.

Senator **Kerry**. In Washington?

Mr. **Kleiboemer**. Yes.

Senator **Kerry**. Then you cannot say that Washington was not involved.

Mr. **Kleiboemer**. Yes, I can, because at that time, at the time the meeting took place, we asked that the Government commit itself to dismiss the case against Mr. Palmer if his undercover work were to succeed. The Government rejected it.

Senator **Kerry**. I understand that, but what I am saying in response to Mr. Palmer, and I believe he said it was a purely local decision which involved only the U.S. attorney. That is what I heard.

I am saying that because of the meeting in Washington and other parties involved, others were involved, not just a local decision. You just said it was not just a local decision because you have the decision here. There were others who fed in.

Now, as to the degree to which that has happened, I do not know. I have no answers, so I am not making any implication. I said to you very clearly I accept your statement on the record but simply want to say that I am leaving that question open until I have closed the door on it. The committee will certainly close the door on it at the end of these hearings.

Mr. **Kleiboemer**. There is another reason why the settlement of that question is important. It is a pending case in Detroit, and, frankly, much of the testimony and much of the publicity concerning that case, which defense counsel has floated with the newspapers, has originated from this committee.

I am telling you, Senator, what you have done here even by reserving that judgment, because you have to go on the basis of the evidence before you which indicates no, the CIA was not involved in——

Senator **Kerry**. I never mentioned the CIA. I never said that.

Mr. **Kleiboemer**. Senator, that has been the implication throughout these hearings.

Senator **Kerry**. No, sir, counsel, that is not—let me just say to you that I have been very, very careful here, very careful here. I have discussed this with Senator Boren. I have stayed away from naming any companies that are proprietaries. I have elicited two brief mentions.

I think you know very well, counsel, and I know Mr. Palmer knows, that I could have gone further with respect to some of those questions.

Mr. **Kleiboemer**. Please, go ahead.

Senator **Kerry**. No, because I have an agreement with Senator Boren that I will not, and I do not intend to do that at this time.

I am saying I accept your statement at face value, and I do not think that is going to be an issue, frankly, in the disposition of those cases. I hope it will not be. I will certainly make it clear that this committee is not insinuating anything other, but I refuse and it would be irresponsible of me to shut any door and make a final judgment now. There are other witnesses to be heard, and the committee is not going to make a final judgment until that has happened. That is all I am saying.

Mr. **Kleiboemer**. Fair enough.

Senator **Kerry**. On that basis, let me just say that we will resume tomorrow at 10 a.m. We stand recessed until that time.

[Whereupon, at 3:55 p.m., the hearing adjourned, to reconvene at 10 a.m., April 7, 1988.]

DRUGS, LAW ENFORCEMENT AND FOREIGN POLICY: THE CARTEL, HAITI AND CENTRAL AMERICA

THURSDAY, APRIL 7, 1988

U.S. Senate,
Subcommittee on Terrorism, Narcotics and
International Operations
of the Committee on Foreign Relations,
Washington, DC.

The subcommittee met at 10 a.m. in room SH-216, Hart Senate Office Building, Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senator Kerry.

Also present: Jack A. Blum, special counsel.

Senator **Kerry**. The hearing will come to order. This morning we're proceeding today. This is the fourth day of hearings.

I would just like to make a few announcements about where the hearing is proceeding to and what our schedule will be. This will be the last day this week of open hearings. We will be having a closed hearing tomorrow, and the reason tomorrow's hearing is closed is that we will be hearing from a witness who is a material witness in a trial. It is a witness in the trial of DEA Agent Camarena, and we are anxious not to cause any problems with respect to that trial.

So, in accordance with an agreement with the U.S. attorney, we will hold that testimony for the time being. And that will be made public at some time in the future or there will be a public hearing.

Second, Admiral Murphy was due to appear tomorrow. He has been detained in California and will not be able to be with us tomorrow. Tomorrow is going to be a short day anyway. So, we felt that the better thing to do was to proceed with the closed session and then hold our public hearings at a later time.

Second, with respect to Monday, I've already announced, but I want to reiterate, that there is an important segment of this story that will be told, but it must be delayed for Monday because of the need to have one of those key witnesses appear in the middle district of Florida with the U.S. attorney there, again in a matter that is currently underway.

And again, this committee does not want to interfere with that process and so we are honoring the request of the U.S. attorney, and that will necessarily, because we want to tell a whole story rather than be sporadic, delay the proceedings of that day.

Today we're going to proceed to tell one whole story, a piece of the Contra drug story. But I want to emphasize that these hearings are about the larger aspect of narcotics and narcotics trafficking, and while today focuses obviously on the Contra question and on the private aid network question, what I really hope it will do is underscore the way in which clandestine efforts, private aid networks, were taken advantage of by the narcotics process.

And this is one more demonstration of how the national business has permeated yet another area of our life, and also I think taken advantage of preexisting networks or of ones that were created for other purposes. And I think it is an important story.

There will be five witnesses who will talk about their personal involvement in either guns or narcotics or money as part of this network that was assisting the Contras. There will be one witness whose name is mentioned by many of those other five who will deny some of his involvement. But I think the story will be well told and fully told.

The first witness is Mr. Gary Betzner. Mr. Betzner, I ask that you stand, please, and raise your right hand so that I can swear you.

STATEMENT OF GARY BETZNER, FEDERAL PRISONER; ACCOMPANIED BY SHELDON YAVITZ, ESQ., COUNSEL

Senator **Kerry**. Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. **Betzner**. I do.

Senator **Kerry**. Would you state your full name, please.

Mr. **Betzner**. Gary Wayne Betzner.

Senator **Kerry**. Your date of birth?

Mr. **Betzner**. 3-19-41.

Senator **Kerry**. Where were you born?

Mr. **Betzner**. Akron, OH.

Senator **Kerry**. And you are currently incarcerated in Federal prison; is that accurate?

Mr. **Betzner**. That is correct, sir.

Senator **Kerry**. And what are you serving time for?

Mr. **Betzner**. Importation.

Senator **Kerry**. Of?

Mr. **Betzner**. Cocaine.

Senator **Kerry**. How many years is your sentence?

Mr. **Betzner**. Twenty-seven years and 2 months.

Senator **Kerry**. Is this the first time you've ever been sentenced to jail?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. And is this only your second arrest in your lifetime?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. Had you prior to this arrest or to this period of involvement in drugs been involved with drugs?

Mr. **Betzner**. No, sir, I haven't.

Senator **Kerry**. Now, let's—if we can, I want to elicit a few questions from you that tell something about you and your background, and I would like to ask you. You say you were born in Akron, OH, but you didn't grow up there, did you?

Mr. Betzner. No, sir. I understand my parents were just passing through.

Senator Kerry. And where did you go to?

Mr. Betzner. Arkansas.

Senator Kerry. Did you go to school in Arkansas?

Mr. Betzner. Yes, sir, I did.

Senator Kerry. Through what level?

Mr. Betzner. Senior year.

Senator Kerry. Of high school.

Mr. Betzner. That is correct.

Senator Kerry. What high school did you go to?

Mr. Betzner. DeValls Bluff High.

Senator Kerry. Where is that?

Mr. Betzner. It is in east central Arkansas on the White River, about 50 miles east of Little Rock.

Senator Kerry. What did you do after high school?

Mr. Betzner. I went into the Navy.

Senator Kerry. How long were you in the Navy for?

Mr. Betzner. Over 4 years, 5 years counting Reserve time.

Senator Kerry. What years was that?

Mr. Betzner. 1959 through 1963.

Senator Kerry. What were your tours of duty?

Mr. Betzner. Well, I was on an aircraft carrier for a year, and I spent the balance——

Senator Kerry. What aircraft carrier did you serve on?

Mr. Betzner. The U.S.S. *Hancock*, CDA 19, on the west coast. We toured the Far East.

Senator Kerry. And then your subsequent tours?

Mr. Betzner. My subsequent tours, I went to Navy school for approximately 6 months and then I was assigned to patrol squadron, BP-17, out of Whidbuy Island, WA. We deployed to Alaska.

Senator Kerry. Then where did you serve?

Mr. Betzner. I stayed in that squadron my entire term.

Senator Kerry. And you were honorably discharged?

Mr. Betzner. That is correct, sir.

Senator Kerry. With what rating?

Mr. Betzner. I was an enlisted man, E-6 I believe.

Senator Kerry. Had you previously attended college at all?

Mr. Betzner. No, sir, I hadn't. I attended while I was in the Navy some, and after I got out.

Senator Kerry. During the course of your naval career, did you also do some antisubmarine warfare patrols?

Mr. Betzner. Yes, sir, approximately 3 years. I flew three different tours in Alaska. My specialty was electronic countermeasures.

Senator Kerry. And did that come to serve you well in some of your efforts in drug smuggling later on?

Mr. Betzner. Yes, sir, it did.

Senator Kerry. We will get into some of that later.

After you completed the tour of service in the Navy, did you then go to college?

Mr. Betzner. Yes, sir, I did.

Senator Kerry. Where did you go to college?

Mr. Betzner. Arkansas State Teachers College.

Senator Kerry. Did you graduate?

Mr. **Betzner**. No, sir, I didn't.

Senator **Kerry**. How many years did you spend there?

Mr. **Betzner**. I quit after I had gone to school there almost a year.

Senator **Kerry**. What did you then begin to do?

Mr. **Betzner**. Well, I didn't know what I really wanted to do with my life at the time and so, because of my past experience, I was hired by Global Associates, which was the logistics support contractor of the Pacific missile range out of Kwajalein, Marshall Islands.

Senator **Kerry**. How long did you do that for?

Mr. **Betzner**. I was there for a year or so.

Senator **Kerry**. Then?

Mr. **Betzner**. I left the island and went back to terminate my employment, after I got back to the States, went to Bellingham, WA, where I had friends. And then I later moved to New York.

Senator **Kerry**. At some time did you go to Arkansas and begin farming?

Mr. **Betzner**. Yes, sir, I went back there. My parents had a farm and I went back there in 1965, 1966, I believe, early 1966.

Senator **Kerry**. And at that time you kind of settled down and became a crop duster; is that accurate?

Mr. **Betzner**. That is correct.

Senator **Kerry**. When did you get your commercial pilot's license?

Mr. **Betzner**. I think I got it in 1964.

Senator **Kerry**. What ratings did you receive?

Mr. **Betzner**. At the time I only had a commercial license.

Senator **Kerry**. Since then you have received what ratings?

Mr. **Betzner**. Airline transport pilot, multiengine, commercial-single, multiengine, land and helicopter. And I'm also an ANP mechanic.

Senator **Kerry**. While you were in Arkansas, you started a crop dusting business; is that correct?

Mr. **Betzner**. That's correct, sir.

Senator **Kerry**. Did you also become a member of the Jaycees?

Mr. **Betzner**. Yes, sir, I was a Jaycee, a Mason, and a charter member of the Shriners in Anchorage, AK.

Senator **Kerry**. And did you achieve a position within the Jaycees? Were you once president of your Jaycees?

Mr. **Betzner**. That is correct, sir.

Senator **Kerry**. Where was that?

Mr. **Betzner**. Hazen, AR.

Senator **Kerry**. Now, how long did you run the crop dusting business for?

Mr. **Betzner**. About 12 years.

Senator **Kerry**. When did you stop the crop dusting business?

Mr. **Betzner**. In 1977.

Senator **Kerry**. You went to Alaska for a period of time?

Mr. **Betzner**. Yes, sir, I went to Alaska in 1975, 1976.

Senator **Kerry**. And you kind of drifted in Alaska a little bit?

Mr. **Betzner**. No, sir. I moved and bought a home in Anchorage. I moved my family there, went to work for a company there that ran helicopters for a while.

Senator **Kerry**. What is the name of that company?

Mr. **Betzner**. International Air Taxi.

Senator **Kerry**. And some time you left Alaska?

Mr. **Betzner**. Yes, sir, I did.

Senator **Kerry**. Where did you go?

Mr. **Betzner**. We moved back to California for a while and Newport Beach, and then after that we moved back to Arkansas.

Senator **Kerry**. And what did you do when you got back to Arkansas?

Mr. **Betzner**. Crop dusted or I began to crop dust. I was going to that year, but I subsequently got arrested in Miami, FL.

Senator **Kerry**. Now, at some point then when you returned to Arkansas, did you attempt for the first time in your life to buy some cocaine?

Mr. **Betzner**. Yes, sir, I did.

Senator **Kerry**. You had never tried it?

Mr. **Betzner**. No, sir. Actually, I haven't, no.

Senator **Kerry**. And on this occasion when you tried to buy some, you actually got busted during that first purchase; is that correct?

Mr. **Betzner**. Yes, sir, that's true.

Senator **Kerry**. And where were you busted?

Mr. **Betzner**. Miami, FL.

Senator **Kerry**. And what happened after you got busted? What did you do?

Mr. **Betzner**. Well, after I was released on bail I went back to Arkansas and crop dusted for a while.

Senator **Kerry**. Then what?

Mr. **Betzner**. Then I jumped bond. I was afraid of going to jail because of extenuating circumstances and the embarrassment of the whole thing and my parents, and none of my family had ever gone outside the law and they were good, normal people.

Senator **Kerry**. What did you do once you jumped bail?

Mr. **Betzner**. I left Arkansas on a motorcycle and went to California.

Senator **Kerry**. And did you then become involved somehow in drug smuggling while you were running away from justice?

Mr. **Betzner**. Yes, sir, in early 1980.

Senator **Kerry**. Could you describe how that came about?

Mr. **Betzner**. Well, I had lived in Hawaii for a while and then Oregon, and I ran out of money. And I acquired a job in Miami and I moved down there. I had reestablished myself under another ID.

Senator **Kerry**. You were then known as Lucas Harmony; is that correct?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. That is the name you chose?

Mr. **Betzner**. Yes, sir, I did.

Senator **Kerry**. And did you then start to work for DECA Aircraft?

Mr. **Betzner**. That is correct.

Senator **Kerry**. And what were you doing for them?

Mr. **Betzner**. Just general things: Washing airplanes, painting airplanes, just general things like that.

Senator **Kerry**. Were you doing any flying?

Mr. **Betzner**. No, sir, not at the time.

Senator **Kerry**. You had an accident while you were on the job; correct?

Mr. **Betzner**. Yes, sir. I fell off of an Air Florida 737 wing and broke a small bone in my left leg.

Senator **Kerry**. So, you were—during a period of convalescence, you met a friend of yours who was involved in drug trafficking?

Mr. **Betzner**. Yes, sir, that's correct.

Senator **Kerry**. And that was the beginning of your career?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. Would you describe how that began?

Mr. **Betzner**. Well, I met this guy and he had a friend who had an airplane, and they were in the business.

Senator **Kerry**. They were in what business?

Mr. **Betzner**. In the marijuana business.

And one of them had a connection in Colombia, and he made arrangements and he gave me the aircraft.

Senator **Kerry**. What kind of aircraft was that?

Mr. **Betzner**. This was an old twin Bonanza.

Senator **Kerry**. Did he make an arrangement for you to fly to Colombia to pick up drugs?

Mr. **Betzner**. That's true.

Senator **Kerry**. What year was this?

Mr. **Betzner**. I believe it was early 1980.

Senator **Kerry**. Now let me just caution you here, as I have the other witnesses, and I want to do this publicly because from here on in your testimony is very important to what this committee is looking at. And I want to caution you that, as you know, you are under pains and penalties of perjury here.

You're sworn to tell the truth, and this committee does intend to hold any individual as accountable as we can to the full measure of the law if you don't tell us the truth. And I want to be certain that you understand that before we go on.

Mr. **Betzner**. I understand perfectly well.

Senator **Kerry**. Your sentence right now is how long?

Mr. **Betzner**. Twenty-seven years and 2 months.

Senator **Kerry**. Eligibility for parole is when?

Mr. **Betzner**. I haven't been at the parole board. I don't have any idea.

Senator **Kerry**. And you have had no conversation with this committee or anyone to do with it, have you, regarding any parole or any kind of efforts that this committee would make on your behalf?

Mr. **Betzner**. None whatsoever.

Senator **Kerry**. And is it fair to say that you are also prepared to say to this committee some things you have not yet said publicly?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. Now, Mr. Betzner, would you describe to us this first drug venture you went on? You had never flown down there before. How did you know where to go?

Mr. **Betzner**. Well, I'm a pilot and I've had considerable navigation experience. And so it was relatively simple for me to do. I just left southern Florida and the aircraft had 8 hours of fuel, and I made it to northern Colombia, what they call the Guajira Desert, a strip on the lake, which is almost in the very tip of Colombia.

I dead reckoned all the way down just by compass. The aircraft didn't have any modern navigation equipment. It was in the daytime. I got there.

The marijuana was there, but the gas wasn't. The gas got stuck in the desert, so I didn't get fueled until probably 10 o'clock that evening.

I took off, I flew back, found the eastern tip of Cuba—it was a starlit night—flew up the northern coast of Cuba approximately 12 to 15, 20 miles off the coast, until I saw the lights of Miami.

My designated landing point was the keys in Florida. I arrived there. There was some trouble with the strip I was supposed to land on. I understand that Customs or someone was there.

Senator KERRY. How did you know that?

Mr. BETZNER. I communicated by radio to the ground.

Senator KERRY. What was it, to the ground or to some other entity?

Mr. BETZNER. To the people on the ground that were waiting for me to unload the aircraft.

Senator KERRY. And they told you there was a problem?

Mr. BETZNER. Right.

Senator KERRY. So, where did you go?

Mr. BETZNER. I went to the next nearest strip, because I had 8 hours of fuel and I had been in the air 8½ hours, as I recall. So, I went into Marathon.

Senator KERRY. How much were you paid for that run?

Mr. BETZNER. I originally had contracted for $40,000, but because I saved the load I charged the people an extra $10,000.

Senator KERRY. When you say "you saved the load," when you got to Marathon nobody was there?

Mr. BETZNER. No one was there, and I had to take care of it myself.

Senator KERRY. Now, why—let me ask you a question of curiosity. Why would a drug effort that makes thousands of dollars, and here you are being paid $50,000 and they're going to make a lot more on the load, not fly a more sophisticated navigational equipped plane?

Mr. BETZNER. Well, these people were just young people that were into—entrepreneurs, you might say, into making a few dollars just at the start of their life. That's the way I picked up on it.

Senator KERRY. So, you just took whatever aircraft was available at that point?

Mr. BETZNER. I took the only aircraft that they had available.

Senator KERRY. Did you in fact get more sophisticated aircraft at a later time?

Mr. BETZNER. Yes, sir, I did.

Senator KERRY. How many flights did you do for these people?

Mr. BETZNER. That person, I think I did another one for him, and a couple of more for different people.

Senator KERRY. Were they all to Colombia?

Mr. BETZNER. No, there were a couple to Jamaica.

Senator KERRY. What did you pick up in Jamaica?

Mr. BETZNER. Marijuana.

Senator **Kerry**. Did you bring them back to the same location in the United States?

Mr. **Betzner**. No, different locations.

Senator **Kerry**. Do you want to name where you took them to?

Mr. **Betzner**. Well, Gainesville, southern Florida near Okeechobee, and—well, two near Okeechobee.

Senator **Kerry**. Did you perform other services for drug traffickers besides pilot?

Mr. **Betzner**. In what capacity?

Senator **Kerry**. In any other capacity? Did you do any other things for them besides fly planes?

Mr. **Betzner**. Yes, sir. I owned a company at a later date—this was after I had—it was actually in 1983-84. I had a company at Tamiami Airport that did aircraft maintenance, mostly installing tanks and that sort of thing.

Senator **Kerry**. Now, during these four flights, did you have occasion to fly over into Cuba again?

Mr. **Betzner**. Yes, sir, I went across Cuba three times.

Senator **Kerry**. During these first four ventures?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. Well, weren't you worried about violating Cuban airspace?

Mr. **Betzner**. Well, the first time I had to go across because my auxiliary tank that the people had installed for me didn't function properly, and I didn't have enough fuel to go around the east end. So, I had to go across Cuba. And it was an overcast day and I was at about 12,000 feet.

I was in a single-engine aircraft, one of those Bonanzas that were approved for aerobatics. And they launched the Mig's on me, Mig-19's. And I pulled off my shirt and I was waving it like a white shirt, and they made several passes at me while I was leaving. I was going north.

And then they made another pass at me, and he wasn't coming around to pull up beside me. He was coming up on my tail, and so I rolled the aircraft upside down, what they call a split-S, and went through the clouds, and I broke out at about 3,500 feet, went across near an airbase called Camaguay Air Force Base—lots of military equipment, aircraft large and small.

I went across the island going north, down through a ravine, and zigzagged all the way over to Jamaica. And when I got to Jamaica, I loaded my load and flew about 45 minutes west and headed north, and about 20 feet off the water, hit the mountains in Cuba, and went back across Cuba in the daylight on the ground.

And sometimes I was below the sugarcane, you know, and made it across and had no problems. And I got to Florida about 5 o'clock in the evening, southern Florida, and flew to Gainesville.

The guys were supposed to have a remote strip there, but they didn't. And they hit a pig or something going out to the strip and messed up the truck. And so I went into Gainesville, and they had some people waiting for me there.

And that's about the end of that.

Senator **Kerry**. Did you have any problems with Customs or anybody coming into U.S. airspace?

Mr. **Betzner**. Fortunately, no.

Senator KERRY. Did you take any special measures to aid or avoid that?

Mr. BETZNER. No, I didn't, other than fly low. At that time, as I recall through the shipping channels just south of Key West, there was a considerable amount of shipping, and I would be below the ships on the water. And if there was any radar, they wouldn't be able to detect me.

Besides, when you're heading into the radar you're less profile than you are when you're sideways to it.

Senator KERRY. How much of a load did you bring back on those first four flights each time?

Mr. BETZNER. Well, the first load was about 1,500 pounds. The second load was about 700, 800 pounds of Sensamilla, which is a more expensive substance. The other two loads were 1,500, 1,600 pounds in those aircraft.

Senator KERRY. Did you develop an airplane modification business for drug smugglers during this period of time?

Mr. BETZNER. Yes, sir, I was in that.

Senator KERRY. Where did you handle that out of?

Mr. BETZNER. Out of Tamiami.

Senator KERRY. This was part of your avionics and mechanical operation?

Mr. BETZNER. Right. I had originally set it up to just service my own aircraft, but I knew other smugglers.

Senator KERRY. You are rated as an avionics technician yourself?

Mr. BETZNER. Yes, sir, I am.

Senator KERRY. Now, how many hours of flight time did you have when you began your adventures as a drug pilot?

Mr. BETZNER. I would say 15,000-plus.

Senator KERRY. So, you were a very proficient pilot?

Mr. BETZNER. I was a good flyer and a pilot.

Senator KERRY. And when you distinguish the two, you're talking about being able to fly by the seat of your pants versus the instruments?

Mr. BETZNER. Yes, sir.

Senator KERRY. Was the crop dusting good training for the kind of thing you had to do?

Mr. BETZNER. The best.

Senator KERRY. After you ran these first four flights, did you then stop or did you become involved with other people?

Mr. BETZNER. No, I didn't stop. I became involved with other people.

Senator KERRY. Who did you become involved with then?

Mr. BETZNER. Well, I did a few myself, and I lost my first load. I load—I had bad fuel out of Colombia, and I had a Queen Air and I couldn't make it and so I had to go into Bimini.

Senator KERRY. What kind of plane were you in?

Mr. BETZNER. A Beechcraft Queen Air.

Senator KERRY. Flying from Colombia?

Mr. BETZNER. Yes, sir.

Senator KERRY. Back to the United States?

Mr. BETZNER. Right.

Senator KERRY. You lost your engines?

Mr. BETZNER. Yes.

Senator **Kerry**. What altitude were you at?

Mr. **Betzner**. Well, I lost my engine, I was about 5,000 feet. East of Andros I lost one engine, and it seems the fuel has bypass filters and the fuel to the engine—the engine was starving, flooding out, actually. And so I continued on, and I was about 50 feet off the water approaching the Florida coast, and the other engine fuel warning light came on.

And so, rather than go in the water, I had to go into Bimini. And so I was near Bimini, and I tuned in the VOR, and the right engine quit and the left engine quit, and I kept starting and restarting engines. And I made it into Bimini.

Senator **Kerry**. What happened when you got to Bimini?

Mr. **Betzner**. Well, no one saw me, and I ran the aircraft off the runway into the bushes where some other wrecked aircraft were, and we left the aircraft. And my copilot ran off.

And at this time I had put so much into this that I just was determined to save it. And so I unloaded about 300 pounds into the jungle, and I left and went up to survey the island to see what was going on.

Anyway, I wound up losing the load. And that night, I was arrested with the Bahamians. They helped me unload the rest of the marijuana and they held a gun on me, and I finally admitted it was mine.

And I told the sergeant that had the gun on me that I had 300, 400 pounds in the weeds in the jungle and that I would give it to him if he'd let me have my aircraft. And so he agreed.

And so the Bahamians shot the lock off of a DC–3 there and took two 55-gallon drums of fuel, and I climbed up on my wings and poured it into the aircraft, and I took off. That was about 10:30. And I lost an engine on takeoff, and I nursed it all the way to Florida.

And I was trying to get into Opa-locka West, but I lost both engines and they wouldn't run any more. And so I feathered them and landed them after the tower had closed in Opa-locka.

Senator **Kerry**. At some time very shortly thereafter, did you meet Mr. George Morales?

Mr. **Betzner**. Yes, sir. I went back over to Bimini the next day.

Senator **Kerry**. Why did you go back to Bimini?

Mr. **Betzner**. I was going to try to buy the load that I lost there back. And when I got there, a Bahamian introduced me to George Morales' employee, Hiro Plata, who was a Colombian-American. And Hiro knew I was a pilot and what I was about, and so he introduced me to George.

It was at the big game club. George was in a fishing tournament there and he had a boat by the name of *The Barbette*. A very nice fellow, and we struck up a rapport, and he just took me right into his family.

Senator **Kerry**. Did he know that you dealt in drugs at that time?

Mr. **Betzner**. No, sir. I wasn't a dealer. I'm not very good at that sort of thing. I'm just a pilot.

Senator **Kerry**. Did he know that you flew drugs?

Mr. **Betzner**. Yes, sir. He didn't know prior to that.

Senator **Kerry**. During the course of that conversation, he came to know that you did that?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. And did you know anything about George Morales and his involvement with narcotics?

Mr. **Betzner**. No, I had never met the man before.

Senator **Kerry**. Did you come to learn during that conversation that he might be able to use your talents as a pilot to fly narcotics?

Mr. **Betzner**. Yes.

Senator **Kerry**. So, in fact, you entered into a business relationship with Mr. Morales to fly narcotics; is that correct?

Mr. **Betzner**. That is correct.

Senator **Kerry**. When did you do your first narcotics flight for George Morales?

Mr. **Betzner**. Probably a week or 2 weeks, I think, after I met him.

Senator **Kerry**. Did you learn anything about George Morales, about his background, about things he did, what he was involved in?

Mr. **Betzner**. Yes. As time went on, we became quite good friends.

Senator **Kerry**. What did you learn about him?

Mr. **Betzner**. Well, that he was from Bogota, Colombia; that he had been in the construction business, he had been in import-export and all kinds of different things. And he was just very charming, witty, nice guy to be around.

Senator **Kerry**. Did you learn that he had any special talents with respect to boats?

Mr. **Betzner**. Oh, yes, he was into boats. And he was a smuggler when I met him. I mean, he was into it at the time.

Senator **Kerry**. Was he also a competitor, competitive internationally in speedboats?

Mr. **Betzner**. Yes. He was, when I met him, he was getting into it at that time in a big way. And later on, he became world's champion and raced all over the world.

Senator **Kerry**. Now, how then did you come to do your first flight for George Morales?

Mr. **Betzner**. Well, George gave me this old beat-up Aztec, just to see if I could do it, I guess, and it was my test. And so I was successful.

Senator **Kerry**. Where did you fly to?

Mr. **Betzner**. To Colombia and back to Great Harbor Key. I was supposed to go into another island, but I couldn't find the island and so I went into another strip that was unlit, but it was a starlight night and I found the strip and I landed there.

And I had met—I had been in this place before and I had met a couple of Bahamians, and they just happened by luck to have been at the airport that night. And we unloaded the aircraft and they took it to the north end of the island. And we got some gas out of the preacher's aircraft there and put it in my Aztec, and I took off about 2 o'clock in the morning, and finally find the island where we are supposed to meet.

Senator **Kerry**. Was that again a flight from Colombia?

Mr. **Betzner**. Yes.

Senator KERRY. And where did you pick up the goods in Colombia? The same place as before?

Mr. BETZNER. Near there. The desert is quite large in northern Colombia. Approximately, as I recall, probably 30, 40 miles inland.

Senator KERRY. So, you landed with the Aztec, that was your first load for George Morales, and it went successfully?

Mr. BETZNER. That is correct.

Senator KERRY. Did you have to pay off any Bahamian officials in order to be able to land or to bring the goods in?

Mr. BETZNER. Well, actually that's the first time we started working in Great Harbor. From that experience on, we paid off the people, and from that experience on we worked out of Great Harbor and that became our home, so to speak.

Senator KERRY. Now, when you say you paid off the people, did you personally pay people?

Mr. BETZNER. I did a few times later. But most of the time, Hiro Plata handled that aspect of it. I knew the Bahamians before he did.

But there was another operator working out of there by the name of Enrique—Jose Enrique Lopez, alias Henry Lopez, who was a former partner of Kojak, a guy by the name of Kojak.

Senator KERRY. Let the record show that a gentleman known as Kojak testified before this committee, I think a year and a half ago. And we have his full testimony, which corroborates much of what these other witnesses have said and will say.

Mr. Kojak is since deceased of natural causes over the last year. But that testimony I believe will be released at an appropriate time subsequent to this hearing.

Now, did you do some work with this gentlemen named Kojak and Lopez?

Mr. BETZNER. No, sir, I never worked with Kojak. He was at the time a DEA informant. However, I did work quite closely and became good friends with Henry Lopez.

Senator KERRY. How many flights did you then begin to do for Mr. Morales?

Mr. BETZNER. I think that was in 1982. I did 50 for him pretty quick.

Senator KERRY. Fifty flights?

Mr. BETZNER. Yes, sir.

Senator KERRY. All to where? All to Colombia?

Mr. BETZNER. No, not all of them were to Colombia. I did a couple out of Jamaica in the beginning.

Senator KERRY. And what year are we talking about now?

Mr. BETZNER. 1981, 1982, in that area.

Senator KERRY. What kind of plane? Did you graduate from an Aztec?

Mr. BETZNER. Yes. I flew a 402 that I had——

Senator KERRY. A Cessna 402?

Mr. BETZNER. Yes. It was modified considerably.

And then I told George we could do a whole lot better if I had a better aircraft, and so we got a Panther.

Senator KERRY. What kind of plane is a Panther?

Mr. BETZNER. A Panther is a Piper Navajo. We had the early model, which was a light aircraft. And it has 350-horsepower Lycoming engines, with four-bladed Q-tip props. It increases the performance considerably.

Senator KERRY. What's the normal gross of that plane that you could carry in marijuana?

Mr. BETZNER. Well, most people can with, say, 240 gallons of fuel, can carry 1,700, 1,800 pounds. This aircraft, I used to fly it with 320 gallons of fuel and I've hauled as much as 3,000 pounds.

Senator KERRY. Did you get—did Mr. Morales buy several of these planes?

Mr. BETZNER. Yes. After a while we called his place the zoo, he had so many Panthers around.

Senator KERRY. How many Panthers did he buy?

Mr. BETZNER. I know of four or five.

Senator KERRY. So, Mr. Morales had other pilots flying for him in addition to yourself?

Mr. BETZNER. Yes, sir.

Senator KERRY. Did you get to know some of those other pilots?

Mr. BETZNER. No. As you know, I was a fugitive and I carried myself that way. I didn't associate in public or come and go. I met some people, but the only pilot that I knew—well, there were a couple. But the only pilot that I knew was Richard Healey, who was George's chief pilot at Aviation Activities.

Senator KERRY. Who was Mr. Richard Healey?

Mr. BETZNER. He was George's chief pilot, as I said. And he was a Colombian-American. His father was American, his mother was Colombian. He was bilingual, a good helicopter pilot, a good pilot, a nice fellow.

Senator KERRY. Where did he live?

Mr. BETZNER. He lived in Miami.

Senator KERRY. And who was he married to?

Mr. BETZNER. To a girl named Marta. She used to be Marta Chamorro and she is a Nicaraguan. And they were married and they had one daughter.

Senator KERRY. And the Richard Healey that was married to Marta Healey was also flying narcotics with you; is that accurate?

Mr. BETZNER. Yes, sir. He made a few trips with me.

Senator KERRY. And this is the same Marta Healey who at one time, or two times actually, was married to Adolfo Popo Chamorro; is that accurate?

Mr. BETZNER. Yes, sir.

Senator KERRY. And Adolfo Popo Chamorro you know to be one of the leaders of the Southern Front ARDE Contra movement; is that accurate?

Mr. BETZNER. That is accurate.

Senator KERRY. And did you know him to be somebody working with Eden Pastora in Costa Rica?

Mr. BETZNER. No, sir, I did not, not at that time, no.

Senator KERRY. You came to know that later?

Mr. BETZNER. Yes, sir.

Senator KERRY. The record should show here that Marta Healey is under subpoena to this committee. We have been talking to her attorneys. She has still not appeared here in Washington yet, but she is at this moment under subpoena.

Did you fly both marijuana and cocaine in the course of these 50 flights?

Mr. **Betzner**. No, sir, marijuana and pills.

Senator **Kerry**. Quaaludes?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. Where did the Quaaludes come from?

Mr. **Betzner**. Colombia.

Senator **Kerry**. You flew those all to the Bahamas?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. And the nature of the operation was that you would offload in the Bahamas?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. And how would the drugs then come to the United States?

Mr. **Betzner**. By boat.

Senator **Kerry**. Whose boats?

Mr. **Betzner**. George's, and then he would have other people contracted, other smugglers. That was their specialty, mostly Cubans.

Senator **Kerry**. What kind of boats would they use?

Mr. **Betzner**. Just a varying amount of the cigarette type, you know, speedboat.

Senator **Kerry**. Did any Bahamian officials ever fly with you on any of these drug flights?

Mr. **Betzner**. Yes, sir, on several occasions.

Senator **Kerry**. What was it that got a Bahamian official into an aircraft with you on a drug flight?

Mr. **Betzner**. Well, I spent a considerable time in the Bahamas flying the baseball team around in George's DC–3.

Senator **Kerry**. Whose baseball team?

Mr. **Betzner**. The different islands had different baseball teams, and I don't recall each specific one. The police baseball team, the defense baseball team. And they were into baseball.

And I flew politicians around and officials around. That was just part of the service, and I got to know a lot of the people. And then they got to know that I was a good pilot, I suppose.

And so I offered to let them go along as copilot, which was just good business. And we usually paid them $15,000.

Senator **Kerry**. When you say officials, can you be more precise about what kind of an official?

Mr. **Betzner**. Yes, with the Bahamian police force officials.

Senator **Kerry**. Any customs?

Mr. **Betzner**. Not that I recall any customs or immigration. I knew a lot of them, but I think they made enough money otherwise, they didn't need to fly the aircraft.

And some of the Defense Force people.

Senator **Kerry**. What did you mean when you said that was part of the service, when you described flying the baseball teams around? What does "part of the service" mean?

Mr. **Betzner**. Well, George was always into being in control of the situation, and he's a good businessman. And so the politics in the Bahamas were conducive to good business, and so he would loan his aircraft to different people to—just as, you know, I don't know what you would call it.

Senator **Kerry**. Goodwill?

Mr. **Betzner**. Goodwill.

Senator **Kerry**. How much did you have to pay officials in order to have them look the other way or take part?

Mr. **Betzner**. Well, you usually wanted to pay them about $15,000 a trip, which was reasonable because customs and immigration get $5,000 apiece, and the military or the police on the island would get $5,000.

And after a while they would get greedy, and if somebody would get greedy we started kicking it out on Loran fixes off the island. And we had Bahamian islanders working with us that would pick the bales up and bring them back in, and then we would load them onto speedboats and bring them home.

Senator **Kerry**. Did you perfect water drops during that process?

Mr. **Betzner**. Yes, sir, I did.

Senator **Kerry**. Can you describe that?

Mr. **Betzner**. Well, we would have two boats out approximately a mile and a half, 2 miles apart, at a certain position, prearranged Loran fix. They usually went in by ground. They didn't have a Loran. But I would use my Loran to find them, and they would light flares and I would descend to about 100 feet on instruments, open the back door, and have an experienced kicker there and they would just kick the bales out.

Senator **Kerry**. What do you mean by "an experienced kicker"?

Mr. **Betzner**. Well, somebody that wasn't afraid to do the job, and they were strong and could do the job quickly.

You would have to make about three passes, and it was all on instruments. It was—subsequently, several people lost their lives trying to do that. But we did that.

And the Bahamians would agree to our prices, and we would usually go back and start landing again.

Senator **Kerry**. How much money did you make working for this period? And this was the first sort of period that you worked for Mr. Morales; correct?

Mr. **Betzner**. Yes.

Senator **Kerry**. And this perid went from when to when?

Mr. **Betzner**. I talked to George about this, too, and time is kind of a strange thing in those days. I would say late 1981 to the end of 1982. There was an 8-month period in there where I did 50 trips for George, and I did several for Henry. But I know there was 50 I did for George.

And I made $2 million, $40,000 a trip. He paid me for every trip.

Senator **Kerry**. Did you during this time have occasion to again fly over Cuba?

Mr. **Betzner**. One day I was teaching George to fly and we went into Havana. I don't remember, I think it was in 1983 some time. George and I stayed in contact, and he would come by my house and leave notes and stuff like that, and I would meet him and we would go do things together and he would keep me up on what was going on.

And he had had trouble after I left because he had so much heat, with his indictments and things. And I couldn't stand that.

Senator **Kerry**. Now, to your recollection when was George indicted?

Mr. BETZNER. He was indicted in 1980 with Richard Healey and another fellow and Hiro Plata, on conspiracy on a DC-3 load into Bimini. And then he was indicted again in 1984, I think, or maybe 1982.

Senator KERRY. Somewhere in that vicinity?

Mr. BETZNER. He had several different indictments, but nothing ever became of them that I know of.

Senator KERRY. Now, you said you went into Havana. What do you mean by that? You just flew into Havana?

Mr. BETZNER. Right.

Senator KERRY. How did you manage to do that? Did you have clearance?

Mr. BETZNER. Well, I didn't know at the time. George was just playing a trick on me. He said do it and so we did it. But I landed and went there, and I stayed by the aircraft and George left and came back about an hour later and we departed.

Senator KERRY. Did you have a special code or something that enabled you to get in?

Mr. BETZNER. Not that I know of.

Senator KERRY. Did you at some time get given a code to permit you to overfly Cuba?

Mr. BETZNER. Yes, George gave me a code, a transponder code.

Senator KERRY. What was the transponder code he gave you?

Mr. BETZNER. 1301.

Senator KERRY. And when did he give you that?

Mr. BETZNER. In 1982.

Senator KERRY. Somewhere in that period?

Mr. BETZNER. Yes.

Senator KERRY. Now, did there come a time when you stopped flying for George for a period?

Mr. BETZNER. Yes, sir. I started—I formed my own little company there in 1983, the middle of 1983.

Senator KERRY. When you say "your own company," your own drug smuggling company or some other kind of company?

Mr. BETZNER. Yes, sir. I bought several aircraft and went into business.

Senator KERRY. What kind of aircraft did you buy?

Mr. BETZNER. Well, the first one I purchased was a twin Comanche that had 320, 340 gallons of fuel. It had a 3,000-nautical-mile range, and it had an Omega system, which is a global navigation system in it.

Senator KERRY. Is this an airplane you bought from a Pennsylvania company?

Mr. BETZNER. Yes, it is.

Senator KERRY. This Pennsylvania company was called Air America?

Mr. BETZNER. That is correct.

Senator KERRY. And what kind of planes did they have?

Mr. BETZNER. Well, Air America was an aircraft modification business: long-range fuel, engine modifications, and that sort of thing. It was a place where people who wanted to have their aircraft modified went.

Senator KERRY. Did you use this modified Comanche for more drug flights?

Mr. Betzner. Yes, sir, I did.

Senator Kerry. For cocaine flights?

Mr. Betzner. Yes, sir.

Senator Kerry. From where to where?

Mr. Betzner. From Colombia to the middle district of Florida.

Senator Kerry. Where were you operating out of?

Mr. Betzner. Lakeland.

Senator Kerry. During this 1983 period?

Mr. Betzner. Lakeland, FL.

Senator Kerry. Now, were you ever tracked by DEA or others during this period of time?

Mr. Betzner. No.

Senator Kerry. Now, you talked about Richard Healey. You knew Richard Healey was involved with flying narcotics; correct?

Mr. Betzner. Correct.

Senator Kerry. Was Richard Healey also involved in assisting the Contras in Central America?

Mr. Betzner. Yes, sir.

Senator Kerry. In what way was he asssisting them?

Mr. Betzner. I don't know the extent to which he was assisting the Contras. He never really elaborated on that. He was very close-mouthed about a lot of things that he did, or maybe I just didn't ask any questions.

Richard and I had, you know, done a lot of things together. We had flown money out to the Bahamas together, and one time in 1983 he came to me, and we flew a load of grenades and some ship mines to Ilopango.

Senator Kerry. Now, let me sort of go through that in greater detail.

Had you ever flown guns anywhere before?

Mr. Betzner. On occasion.

Senator Kerry. OK, now, where had you flown guns to?

Mr. Betzner. To Colombia.

Senator Kerry. And in whose airplane did you fly guns to Colombia?

Mr. Betzner. George's, Morales.

Senator Kerry. What did you do with the guns you flew in Colombia?

Mr. Betzner. Well, I just go there and offloaded them and loaded on the contraband, the marijuana or whatever, and came back.

Senator Kerry. Now, the guns that you flew came from where? You flew out of Florida?

Mr. Betzner. Yes, sir, all the guns came out of Florida, out of Opa-locka, right at George's office.

Senator Kerry. What kind of guns, do you recall?

Mr. Betzner. Well, I'm not a gun expert, Senator. There were AR-15's, pistols, ammunition, that sort of thing.

Senator Kerry. How would this be packaged for the flight?

Mr. Betzner. In their cases, boxes and stuff like that.

Senator Kerry. And you could fly what, about 2,000 pounds?

Mr. Betzner. Well, I could. In those occasions going into Colombia, I never had quite that much, anywhere from 500 to 800, maybe 1,000 pounds.

Senator Kerry. So, you flew guns down out of Florida.

Did you have a permit?

Mr. **Betzner**. No.

Senator **Kerry**. Do you know where the guns came from?

Mr. **Betzner**. No.

Senator **Kerry**. You would load the guns on the plane, fly down to Colombia, drop off guns, pick up drugs; is that accurate?

Mr. **Betzner**. Well, I didn't load the aircraft. Hiro Plata would load it, and I would come to the aircraft, and it would be loaded, you know.

Senator **Kerry**. What kind of aircraft was this?

Mr. **Betzner**. The Panther.

Senator **Kerry**. You flew the Panther down, you landed at a strip in Colombia.

Mr. **Betzner**. Yes.

Senator **Kerry**. And once the guns were out, was something else put in the plane?

Mr. **Betzner**. Yes, marijuana or Quaaludes.

Senator **Kerry**. And you flew those back.

Mr. **Betzner**. Yes.

Senator **Kerry**. To where?

Mr. **Betzner**. To Great Harbor Key.

Senator **Kerry**. And while you were engaged—these flights were in what period of time?

Mr. **Betzner**. Those flights were during 1982, I would say.

Senator **Kerry**. Shortly thereafter, Richard Healey invited you to go on a flight to Ilopango Air Force Base in El Salvador.

Mr. **Betzner**. Yes, that is correct.

Senator **Kerry**. When was that?

Mr. **Betzner**. I think it was May 1983.

Senator **Kerry**. Can you describe how that came about?

Mr. **Betzner**. Well, George had brought up—George and company, I don't know how it all went—six or eight Brazilian registered DC-3's, old C-47's, and he sold them, and they used a few of the, what have you. I wasn't involved in all of that, but Richard and I had flown together a considerable amount, and we were close friends, and he asked me if I wanted to take a trip to Ilopango, and I said "Sure." I said, "What does it pay?" I mean, I was into getting paid for my work, and he said, "Oh, I don't know, about $300,000." I said, "Yeah, you give me two and you take one, and I'll go." He said "It's a deal."

So, I met him at Opa-locka that morning, and went through the aircraft with him. The aircraft was already loaded with grenade launchers. I didn't look to see what it was. I mean, I later found out that's what it was, but——

Senator **Kerry**. When you say "you later found out," when did you find out?

Mr. **Betzner**. Well, when I got down there, when we offloaded it.

Senator **Kerry**. So, you actually saw grenade launchers being offloaded.

Mr. **Betzner**. Yes, M-79's, about 40 of them.

Senator **Kerry**. And this was in what kind of aircraft?

Mr. **Betzner**. DC-3.

Senator **Kerry**. Now, how did you manage to land flying from where you flew at Ilopango?

Mr. **Betzner**. Well, we left from Opa-locka and got into Boca Chica I would say around noon or a little after noon. Boca Chica is a naval air station out in the keys, and there were people there waiting for us.

Senator **Kerry**. Now, is this a naval air station?

Mr. **Betzner**. Naval air station; yes.

Senator **Kerry**. Open, closed?

Mr. **Betzner**. Well, I think it was kind of a reserve base at the time, but there were military aircraft on the ground.

Senator **Kerry**. You landed there.

Mr. **Betzner**. Yes.

Senator **Kerry**. And did you have flight plan clearance of any kind?

Mr. **Betzner**. No.

Senator **Kerry**. And then where did you go?

Mr. **Betzner**. We left Boca Chica and went to Ilopango.

Senator **Kerry**. What did you load at the base at Boca Chica?

Mr. **Betzner**. Ship mines. And I was given an aluminum tube that had some maps in it, and a manilla envelope, as I recall it had the name Chris on it, and I was instructed—well, Richard was instructed, and I was standing there with him—to deliver this to Chris at Ilopango, and that when we met there, we would be led to the place called the Aeroclub, which is on, I recall, it is on the southwest side of the field.

Senator **Kerry**. The Aeroclub?

Mr. **Betzner**. Yes.

Senator **Kerry**. At the Ilopango base.

Mr. **Betzner**. Right.

Senator **Kerry**. OK, who met you at the Ilopango base?

Mr. **Betzner**. Well, a truck met us there when we got out, and then there was a guy by the name of Chris that got the envelope and the maps.

Senator **Kerry**. Was Chris El Salvadoran?

Mr. **Betzner**. No, he was an American.

Senator **Kerry**. He was American.

Did he identify himself to you?

Mr. **Betzner**. No, he didn't other than he was Chris.

Senator **Kerry**. Did you have any conversation with him?

Mr. **Betzner**. He asked us if we wanted to go to the hotel, and I talked to Richard about it, and we said all we wanted was gas.

Senator **Kerry**. Now, did you know who Chris worked for or who he represented?

Mr. **Betzner**. No, I didn't know; no. I had some assumptions, but I didn't know.

Senator **Kerry**. Did Richard Healey tell you who he worked for?

Mr. **Betzner**. No.

Senator **Kerry**. Your assumption was what?

Mr. **Betzner**. That he was Department of Defense or CIA or something like that.

Senator **Kerry**. What made you assume that?

Mr. **Betzner**. Well, after having been underground for so many years and working in the Bahamas and Colombia and in and out of all different places and hanging out with George Morales and seeing all these things came down, it was just a normal thing to assume.

Senator KERRY. What kind of truck was this that picked up these weapons?

Mr. BETZNER. Oh, a large, green military truck, as I recall, you know. And they had to—the ship mines were loaded forward between the grenade launchers. They had a difficult time stacking them in there and getting the netting around them and securing them, and so they took them out, you know, by hand, scooted them down the aircraft and out the door and loaded them in the truck.

Senator KERRY. How many people were offloading?

Mr. BETZNER. There were five or six guys there.

Senator KERRY. Were they American or El Salvadoran?

Mr. BETZNER. No, they were Spanish-speakin, El Salvadorans, I suppose.

Senator KERRY. In uniform?

Mr. BETZNER. Yes.

Senator KERRY. And was this at an isolated part of the base?

Mr. BETZNER. It was down past the terminal. It was pretty isolated. It was a military—looked like it was all military there.

Senator KERRY. You say your interest was in getting fuel and leaving.

Mr. BETZNER. That was my interest; yes.

Senator KERRY. Did you in fact do that?

Mr. BETZNER. Yes. We got fuel about 6 o'clock in the morning.

Senator KERRY. And where did you go to?

Mr. BETZNER. Straight to a little town in northern Colombia called Ria Hacha. It is just east of Santa Marta about 40 or 50 miles.

Senator KERRY. What did you do in Ria Hacha?

Mr. BETZNER. We landed and fueled the aircraft, and people were waiting for us.

Senator KERRY. What kind of people?

Mr. BETZNER. Colombians.

Senator KERRY. What was the purpose of that landing?

Mr. BETZNER. We picked up a load of marijuana and departed as soon as possible to Great Harbor Key, and it was all arranged. I mean, I knew everything that was going to come down before I went.

Senator KERRY. How did you know everything was going to come down?

Mr. BETZNER. Because Richard gave me the flight plan.

Senator KERRY. So, how much marijuana did you load on board this airplane?

Mr. BETZNER. I understood later it was 6,000 pounds.

Senator KERRY. So, you fly—whose airplane was it?

Mr. BETZNER. Well, it was George's airplane.

Senator KERRY. Was this airplane used regularly in drug trafficking?

Mr. BETZNER. I suppose. Pardon?

Senator KERRY. Was this airplane used in drug trafficking?

Mr. BETZNER. The aircraft had had a sticker on it. I don't know if it was Customs or DEA or even FAA. It could have been an FAA sticker, but I do recall that it had had a sticker on the aircraft. It was grounded for some reason at one time or another.

Senator KERRY. You don't know——

Mr. BETZNER. So, somebody had to arrange to release the aircraft to go do what it did.

Senator KERRY. How did you happen to notice that? Was that unusual to you or——

Mr. BETZNER. Well, that particular aircraft had some pretty good radios in it. Out of all the ones he had, that was the only one that had decent radios in it. I do recall that much about it.

Senator KERRY. Do you remember the kinds of radios?

Mr. BETZNER. Pardon?

Senator KERRY. Do you remember the kinds of radios?

Mr. BETZNER. I think one of them had a KR-85, which is a King. It is not the best King, but it was a good ADF, and it had a couple of, I do not know, I think it was Narko radios, small aircraft radios, but they worked fine.

Senator KERRY. Where did you notice the sticker?

Mr. BETZNER. On the left side of the fuselage on the rear, past the door. It was a cargo-type door, it had the double-hinged door on it.

Senator KERRY. Now, let's be precise about the period of time again if we can.

Do you recall, this was 1983?

Mr. BETZNER. 1983, in May.

Senator KERRY. Do you remember what month?

Mr. BETZNER. I'm pretty sure it was May.

Senator KERRY. Now, subsequent to that, did you have occasion to fly again for George Morales?

Mr. BETZNER. Yes, I flew on different occasions for him, miscellaneous things. I made a few trips to Colombia for him.

Senator KERRY. Were those narcotics trips again?

Mr. BETZNER. Yes.

Senator KERRY. And this is during 1983-84?

Mr. BETZNER. Yes, 1983, and I don't think I flew for him in 1984. I didn't run into him again until July 1984.

Senator KERRY. Did you in fact earn $200,000 for that flight you described to Ilopango?

Mr. BETZNER. Yes, I did.

Senator KERRY. Is that more than you would earn for normal drug flights?

Mr. BETZNER. Usually a DC-3 load pays $100,000; yes, considerably more.

Senator KERRY. Now, after the flight with Richard Healey you were also at the same time flying your own cocaine flights; is that accurate?

Mr. BETZNER. I started right after that.

Senator KERRY. So, you were beginning to make even better money for yourself; correct?

Mr. BETZNER. That's correct. I had two partners. My function was I handled the aircraft and trained the pilots. At that time they didn't want me flying anymore. I mean, so I had to hire pilots.

Senator KERRY. Who didn't want you flying?

Mr. BETZNER. My partners.

Senator KERRY. Why?

Mr. BETZNER. Because I was too valuable otherwise.

Senator KERRY. Now, did there come a time when you lost a flight?

Mr. BETZNER. Yes, April 1984.

Senator KERRY. How did that happen?

Mr. BETZNER. Well, the guy was caught on the ground.

Senator KERRY. Where?

Mr. BETZNER. The driver was caught in Glades County.

Senator KERRY. In Florida?

Mr. BETZNER. Yes, sir.

Senator KERRY. What were the circumstances of his being caught? He was trying to get out or come in?

Mr. BETZNER. Well, he had the load in the truck, and he was driving out. I didn't know the guy, and so I don't know all the circumstances on that. All I know is I got home at about 1 o'clock in the morning, I got a phone call, and they say we lost the load, and so I just, I packed my bags and locked my doors and left because I didn't know what the situation, the circumstances were. None of my people got busted. I mean, the pilots got away, and we secured the aircraft.

Senator KERRY. And at this point you decided that you were going to retire for the second time.

Mr. BETZNER. Yes, sir.

Senator KERRY. Because?

Mr. BETZNER. Because I didn't want to work anymore. It was too risky.

Senator KERRY. OK.

Now, we are going to take a brief recess and come back and talk about the George Morales and Costa Rica trips after the recess.

We will take a 15-minute recess.

We will stand in recess for 15 minutes.

[A brief recess was taken.]

Senator KERRY. The hearing will come back to order.

Counsel, I neglected to do this at the early part, and I apologize, not because I wanted to ignore you, but would you just identify yourself for the record?

Mr. YAVITZ. Thank you, Senator. I am Sheldon Yavitz. I am from Miami, FL. I am an attorney for Mr. Betzner.

Senator KERRY. And you have been representing him for some time?

Mr. YAVITZ. Yes, since 1984.

Senator KERRY. Thank you very much. I appreciate it.

Now, Mr. Betzner, you said just before the break that there came a time when you lost a flight, and the result was that you got a little nervous about the operation, and you essentially retired for the second time from the business; is that accurate?

Mr. BETZNER. That's accurate, sir.

Senator KERRY. And where did you go to during the second retirement?

Mr. BETZNER. I went to Hawaii.

Senator KERRY. How long were you there for?

Mr. BETZNER. I stayed there until July.

Senator KERRY. Of what year?

Mr. **Betzner**. Of 1984.

Senator **Kerry**. And at some time did George Morales call you?

Mr. **Betzner**. Yes, he did.

Senator **Kerry**. What did he call you for, and can you pull the mike a little bit closer to you there?

Mr. **Betzner**. He told me he had something for me to do that was very important.

Senator **Kerry**. Did he explain to you what it was?

Mr. **Betzner**. As best he could over the telephone. We were very cautious about the phone, and he said if I would come back, that I could be very beneficial in helping him get out from under his indictment.

Senator **Kerry**. OK, now, at this time you knew that George Morales was indicted; is that accurate?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. And George specifically said you could help me get out from under my indictment?

Mr. **Betzner**. Right.

Senator **Kerry**. So, did you fly back to Florida?

Mr. **Betzner**. Yes, sir, I did.

Senator **Kerry**. And what did you do when you got to Florida?

Mr. **Betzner**. I met with George, and he gave me the rundown on the whole thing.

Senator **Kerry**. What did George say to you about the whole thing?

Mr. **Betzner**. He said that he had made a deal with CIA to supply them with money and with assistance, and that he wanted me to fly some guns and ammunition and stuff like that down to the Contras and bring some contraband back.

Senator **Kerry**. You are absolutely positive about this. This is what George Morales said to you.

Mr. **Betzner**. Yes, he gave me the general rundown that this was what was happening; yes.

Senator **Kerry**. What was your reaction to that?

Mr. **Betzner**. I said, "Well, give me the details, you know. What is it that you need done?"

I didn't really, like I didn't want to do it. But I always loved and respected George because he took me in and he trusted me when I was like an orphan, you know, and so one good turn does another, and loyalty is something that we all learn to respect in our lives. So, he gave me the rundown of the situation, it didn't seem to be too difficult, and seemed to be covered, and I always took George for his word. I mean, many times I was amazed at some of the things that he said would take place that actually took place, and so over the years and through experiences where you risk your life in other people's hands, you eventually learn to trust people, and especially when you are handling large sums of money, you know, in the millions of dollars, and they are transacted and held in a parking lot, and it is not like the business world whereby you have to have contracts and then you still might get taken advantage of. I mean, our business was a business where your word is your bond.

So, not to elaborate too much, he gave me the rundown on what he wanted done, and it seemed pretty simple to me, and so I agreed to do it.

Senator KERRY. Was this the first time that you had heard mention of CIA or Contras from George?

Mr. BETZNER. Yes. It wasn't something that was generally carried on in conversation or you sit around in the office and talk about. I would say I knew that George had had connections in the past. I never had talked to him about it. I knew—I can't say that I knew—I suspected that he had some connections with some Government officials from time to time.

Senator KERRY. And did you then agree to do this flight?

Mr. BETZNER. Yes, sir.

Senator KERRY. When did this flight take place?

Mr. BETZNER. I think in July. It was July 1984.

Senator KERRY. Sometime in the summer, late summer?

Mr. BETZNER. Midsummer.

Senator KERRY. What kind of airplane did you use?

Mr. BETZNER. The first time was a Cessna, and the second time was a Panther.

Senator KERRY. And where did the flight originate from?

Mr. BETZNER. The first one was out of Fort Lauderdale.

Senator KERRY. What was loaded into that flight?

Mr. BETZNER. That particular flight had an M-60 machinegun, other M-16 guns. As I recall, I didn't see any like any new packaging. It looked like it was put together, I mean, it was packaged neatly, but it wasn't like, you know, right from the factory type stuff.

Senator KERRY. And this was in what kind of airplane?

Mr. BETZNER. A Cessna 402B.

Senator KERRY. Now, if this was packaged, how did you know what was in the packages?

Mr. BETZNER. Because I had to go in the back door and climb over the stuff. It didn't have a pilot's door in the front of the aircraft.

Senator KERRY. You knew, identified it by the packages or you actually saw what was in it?

Mr. BETZNER. Well, when I offloaded it I got to see most of what was there. There was some C-4 explosive, you know, plastic explosive.

Senator KERRY. This was loaded at the Fort Lauderdale, FL, airport.

Mr. BETZNER. That's where I picked up the aircraft.

Senator KERRY. During the daytime?

Mr. BETZNER. No, I left about midnight.

Senator KERRY. Who left with you?

Mr. BETZNER. Tito.

Senator KERRY. Who is Tito?

Mr. BETZNER. He had flown with me several different times in the past when I worked for George. He was a Colombian, young fellow who was a trustee of George.

Senator KERRY. You flew from Fort Lauderdale—did you have a permit for those weapons that you left the country with?

Mr. BETZNER. No, sir, of course not.

Senator KERRY. You had no paperwork.

Mr. BETZNER. No.

Senator KERRY. You took those weapons and flew to where?

Mr. **Betzner**. I flew to Costa Rica, to the ranch of one Mr. John Hull.

Senator **Kerry**. Did you know who John Hull was?

Mr. **Betzner**. Not until I met him at his airport.

Senator **Kerry**. Had you ever met him previously?

Mr. **Betzner**. No, I haven't.

Senator **Kerry**. Can you just take a moment to walk over to the map and identify the exact location that you landed at on this first flight in Costa Rica?

Mr. **Betzner**. Yes, sir.

Approximately right here.

Senator **Kerry**. Is that an identified strip on that map?

Mr. **Betzner**. Yes, it is. This map is not quite correct because this highway seems to go a little bit north of the strip. Maybe it is not even shown here.

Senator **Kerry**. Why do you not come back to the microphone so you can speak and identify that.

The place that you just identified is actually an identified strip on that map which says what?

Mr. **Betzner**. John Hull.

Senator **Kerry**. That is a small circle showing an airstrip; is that accurate?

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. That is part of his ranch?

Mr. **Betzner**. It's on his ranch. It's right on the river.

Senator **Kerry**. Had you ever been there before?

Mr. **Betzner**. No, sir, I haven't.

Senator **Kerry**. How did you—and that was where you were instructed to land.

Mr. **Betzner**. Yes.

Senator **Kerry**. You left at midnight. What time did you arrive there?

Mr. **Betzner**. Well, I would say probably 7 o'clock in the morning. When I neared the coast of Costa Rica, after I picked up the VOR out of San Jose, I was about 8,000 feet, and the sun was coming up, and so I descended down, there was a slight overcast, I would say broken, just scattered, about 1,500 feet. I stayed above that until I lost the VOR over the mountains from San Jose, and then I went to my chart that I had of that area and went directly to the strip by following landmarks.

When I was about 10 minutes out I called them on a frequency that I had, and they replied, and so I went to that strip, and——

Senator **Kerry**. Can you describe the strip to us?

Mr. **Betzner**. Well, when I entered the pattern to go into the strip, I flew south of the strip over a bridge which was one of my landmarks, and there's a bend in the river, two sharp bends in the river, actually. I circled west of the airstrip when I first saw it over a pasture, and I made a righthand pattern and landed in the strip. His strip is a little over 3,000 feet long with what is known as a dogleg that kind of curves to the west on the north end, and there's some bushes on that end of the strip. The strip runs right along the river. The north end is right on the river. The middle of the strip is probably 100 yards or so from the river, kind of a big sandbar that extends down to the river, and several small trees.

There is a road that runs down the center of the strip—well, actually, it is over on the west side, a fence on the west side, as I recall. I landed, taxied to the end. He was there.

Senator KERRY. When you say "he"——

Mr. BETZNER. John Hull and some blond-headed guy, a younger fellow, and two Latins.

Senator KERRY. Were there any vehicles around?

Mr. BETZNER. As I recall, there was a Japanese Datsun truck or something like that with a funny thing on the back of it and there was a big truck that we offloaded the weapons into, you know, like a ton-and-a-half truck or something.

Senator KERRY. When you got out of the aircraft and stopped the engines, did he identify himself to you? How did you know who he was?

Mr. BETZNER. Yes, I walked up to him, shook his hand, he introduced himself, I introduced myself.

Senator KERRY. What did he look like?

Mr. BETZNER. He was an older guy, about 60, 65, baldheaded, I think he had blue eyes, about 200 pounds, I guess, maybe a little—no, about 200 pounds, and about my height, maybe a little bit shorter, and what can I say about the guy?

Senator KERRY. OK.

Mr. BETZNER. I've identified his pictures.

Senator KERRY. Did you have a conversation?

Mr. BETZNER. Yes, we talked about—he said he was from Indiana, that he'd been down there for a few years, 10 or 15 years, something like that

Senator KERRY. Did you help offload the weapons?

Mr. BETZNER. No, I did not. I stood there while they were being offloaded, but I didn't have to. These other guys did it. I just stood there, you know, protect the aircraft and watch the aircraft. That was my——

Senator KERRY. You saw them being offloaded.

Mr. BETZNER. Yes.

Senator KERRY. How long did that operation take?

Mr. BETZNER. About an hour and a half. We didn't get in a real big hurry. We had to—he had, the gas was there in barrels. He said he had a truck, but it had some other kind of fuel in it, so we pumped out the barrels, had a nice pump, and filter, and the works.

So, I fueled up, and I only used about 230 gallons or something like that going down there.

Senator KERRY. Did you get introduced to the blond-haired person?

Mr. BETZNER. No, I did not.

Senator KERRY. After the guns were unloaded, was something loaded into the airplane?

Mr. BETZNER. Yes, I loaded about 17 dufflebags and 5 or 6 2-foot square boxes in the aircraft.

Senator KERRY. What was in the dufflebags?

Mr. BETZNER. Coke, cocaine.

Senator KERRY. And in the boxes?

Mr. BETZNER. Cocaine.

Senator KERRY. Was John Hull there while you loaded it in?

Mr. **Betzner**. Yes, he was.

Senator **Kerry**. Did he or anybody explain to you what you were loading, or did you know?

Mr. **Betzner**. I knew.

Senator **Kerry**. How did you know?

Mr. **Betzner**. Because I was told before I left that I would be bringing coke back, you know. George wouldn't send me out to—I mean, I knew what the risk involved and what was involved before I took the job.

Senator **Kerry**. How much were you getting paid for that job?

Mr. **Betzner**. Well, we didn't really discuss it. I mean, we went into it and George says, "Well, I'm doing it for nothing, really." He says "I'm just doing it for nothing, and you are the only pilot that I know that can bring it all the way back in, you know." And he said "If you have any problems when you come back in, there would be somebody to cover for you."

I said, "Don't worry, I won't have any problems." And he said, "Well, there would be no problems, everything is covered and you won't have any problems."

Senator **Kerry**. What do you mean, "everything is covered," or "there will be somebody there to cover for you"?

Mr. **Betzner**. Well, you know, if the Customs or DEA followed me in when I landed the aircraft, I wouldn't have any problems, I mean, they wouldn't bother me.

Senator **Kerry**. Had he ever said anything like that to you before?

Mr. **Betzner**. No.

Senator **Kerry**. Had that been true of any of your other flights as a drug smuggler?

Mr. **Betzner**. No.

Senator **Kerry**. Were you surprised by it? Did you ask him what he meant?

Mr. **Betzner**. No, actually I wasn't surprised by it because I knew that George was anti-Communist, as are most Colombians. So, the cartel and people like that are definitely anti-Communist to the—I don't suppose their world would function too well in a Communist world. It is strictly a capitalist movement, this drug business.

So, and George has never lied to me. George is the kind of guy, if he tells you the sun is not coming up tomorrow, you can place your bet on it, you know.

Senator **Kerry**. Now, with respect to the cartel that you just mentioned, did you have occasion to meet Barry Seal?

Do you know who Barry Seal is?

Mr. **Betzner**. I met him on several different occasions. You know, he was an affable guy, amiable guy. But I felt like some of the people that he knew, that he was playing both sides, and I had been told that, so when I'd see him coming, I'd usually go the other way.

Senator **Kerry**. Where did you first meet Barry Seal?

Mr. **Betzner**. The first time I met him was in Nassau.

Senator **Kerry**. And did you meet him subsequently?

Mr. **Betzner**. Yes, I ran into him one time in Miami and another time up in Pennsylvania.

Senator **Kerry**. Where in Pennsylvania?

Mr. **Betzner**. Air America.

Senator **Kerry**. And you say he played both sides. What was your understanding of what Barry Seal was involved in?

Mr. **Betzner**. That he was involved with the CIA or DEA, but CIA was the indication that I got.

Senator **Kerry**. And did you come at some point to—you mentioned something about the cartel and its support.

Did you learn anything from your friends in the Cuban community or elsewhere about cartel support of the Contras?

Mr. **Betzner**. Yes. A lot of the Cubans that I worked with were Mariel, and a lot of them were Bay of Pigs type people, you know, went a long ways back and they were fervent anti-Communists. That's what they were into. And of course, the ones that I knew were smugglers. Those were the only people that I knew. I didn't know anybody outside that type of—those type of people.

Senator **Kerry**. Were those smugglers at that time assisting in any way that you knew of?

Mr. **Betzner**. Only by, I can surmise, but nothing that I know of that I actually witnessed; no.

Senator **Kerry**. Nothing that you saw.

Mr. **Betzner**. No, sir.

Senator **Kerry**. But things you heard.

Mr. **Betzner**. Yes, sir.

Senator **Kerry**. OK.

Now, how long did it take to load the flight with the cocaine?

Mr. **Betzner**. Ten minutes.

Senator **Kerry**. Then what did you do?

Mr. **Betzner**. I walked around the aircraft, looked at his airstrip. I had doubts about his strip, so we, after we gassed and loaded the aircraft, we pushed the aircraft back—actually, tied a rope on the back of it, as I recall now, and we pushed it back to the road. In the center of the strip as you look directly down the strip was a building, so I had to go west of the building, and the grass hadn't been mowed very well there. It was kind of tall. And but anyway, I backed up as far as I could, and ran the engines up, had an extra 75 or 80 yards there, you know, and I got a pretty good roll, and put the flaps down about halfway down the strip, pulled the aircraft off the ground, and just as it broke ground I pulled the gear up and, you know, I made it all right, and turned across the river and headed out.

It was kind of hairy.

Senator **Kerry**. You flew back to where?

Mr. **Betzner**. I was coming back to, supposed to come back into Fort Lauderdale Executive, and I got cold feet, started thinking about it. So, when I got back——

Senator **Kerry**. Why did you get cold feet?

Mr. **Betzner**. Well, I just never had—I had always been very cautious, and I never had gone back into an airport in the United States to a controlled field. I always landed in the middle of fields in the middle of the night with night vision goggles on all perimeters, and everything was covered, and the police were paid off and everything was together, and this was a little bit out of my——

Senator **Kerry**. This was sort of bold, daylight, supposedly cleared to land, and that's what George had informed you.

Mr. **Betzner**. Right.

Senator **Kerry**. But you got cold feet notwithstanding that.

Mr. **Betzner**. Right. So, I have my own operation in Lakeland, and I had a hangar there, so I had enough fuel when I got back, so I just went on to Lakeland, and I offloaded their coke in my van and had Tito drive it back to Miami. And I kept 20 kilos for my part.

Senator **Kerry**. Subsequent to that, did George Morales ask you to do anything else for him?

Mr. **Betzner**. In what regard, Senator? I mean, after that?

Senator **Kerry**. After that flight.

Mr. **Betzner**. Yes. A week or 10 days later or so I did another one, and this time I used the Panther, after explaining to George the 402 wasn't the machine for that job, and especially out of that strip, and that if that guy was going to be in that kind of business, he needs to have a better strip.

I had coordinates for these strips, and also I had a map with a circle around it, and the alternate, when I went down the first time, was Los Llanos, and I hadn't seen the strip but I knew——

Senator **Kerry**. Is Los Llanos a strip right near the John Hull strip?

Mr. **Betzner**. Well, probably 10 miles or so away, maybe a little further, a little less.

Senator **Kerry**. Do you know how to spell Los Llanos?

Mr. **Betzner**. L-l-a-n-o-s. And it is a lowland area near, as I found out now, some Voice of America towers. It is about, I'd say, three-quarters of a mile from the towers east, you know, give or take one-quarter of a mile or so.

Senator **Kerry**. Let's go back to the beginning here.

What airport did you leave from this time?

Mr. **Betzner**. I left from Opa-locka.

Senator **Kerry**. Opa-locka Airport.

Mr. **Betzner**. That is correct.

Senator **Kerry**. Where was the plane loaded?

Mr. **Betzner**. It was loaded right in Aviation Activities, right there in his hangar, you know.

Senator **Kerry**. In George Morales' hangar?

Mr. **Betzner**. Right. When I got there it was pulled outside, and it was loaded to the ceiling. That was a good load. It had a pilot's door on it, so I just got in it, Tito went with me again, and we departed about 11:30, 12 o'clock that night.

Senator **Kerry**. What was this load?

Mr. **Betzner**. About the same configuration, small arms, no ammunition that I know of, just a lot of small arms, you know.

Senator **Kerry**. Again, did you have any permit or any paperwork for that?

Mr. **Betzner**. I think there were some mines. I think there were some mines. You ought to clear that with George, but I believe there were some land mines or something there, I recall.

Senator **Kerry**. And you again, the answer on the paperwork, no permits, no permissions.

Mr. **Betzner**. No, sir, no permits, no permission.

Senator **Kerry**. Did George say anything again this time about where you should land and where you should return to?

Mr. **Betzner**. Yes, I think he did. He—I was supposed to come right back to Opa-locka and just taxi up to the hangar, no problem.

Senator **Kerry**. Did you then fly down to John Hull's ranch?

Mr. **Betzner**. I didn't go to John Hull's home place, I went to this other strip called Los Llanos, and when I got there I called, and that's where they were. They were there.

Senator **Kerry**. They being who?

Mr. **Betzner**. John Hull.

Senator **Kerry**. And who else?

Mr. **Betzner**. And two Latins, just John Hull and two Latins.

As I recall, there was a pickup truck sitting up the road. I mean, this is the first time I have brought that up, but I saw a truck sitting up the road there. I don't know who was in it, but there was a truck sitting up the road about—around the strip, just north.

Senator **Kerry**. What time of day did you arrive this time?

Mr. **Betzner**. I got there early in the morning at the same time.

Senator **Kerry**. What did this strip look like?

Mr. **Betzner**. This strip was in the middle of a lowland area. There were no trees. There were tropical trees across the road on the south end of the strip. I believe the strip laid southwest to northeast. To the southeast of the strip wee some low lying hills, and there was four towers directly west of the strip. There was a road that runs south of the strip around to the north, and it is red. It looks like clay or something. There were drainage ditches cut perpendicular to the airstrip on both sides. As I said before, there are no trees around that I can recall.

Senator **Kerry**. You said you recalled some towers?

Mr. **Betzner**. Yes, sir, there were towers west of there.

Senator **Kerry**. Where were the towers, how far away?

Mr. **Betzner**. I'd say about three-quarters of a mile.

Senator **Kerry**. What kind, what sort of towers?

Mr. **Betzner**. Very tall towers, maybe 200, 300 feet tall.

Senator **Kerry**. How many?

Mr. **Betzner**. Four of them.

Senator **Kerry**. And do you know what they were?

Mr. **Betzner**. They were Voice of America.

Senator **Kerry**. When you landed, did you again have a discussion with Mr. John Hull?

Mr. **Betzner**. Yes, just "Hi, how are you doing?"

Senator **Kerry**. Did you supervise the offloading?

Mr. **Betzner**. No, again I stood there while it was offloaded.

Senator **Kerry**. Did John Hull supervise the offloading?

Mr. **Betzner**. No, he just stood back and they took care of everything.

Senator **Kerry**. The two Latins.

Mr. **Betzner**. Right.

Senator **Kerry**. And where were the—did you load anything into the plane after that?

Mr. **Betzner**. Yes, I loaded cocaine into the plane with the same configuration except this time there wasn't any boxes, it was all in the dufflebags.

Senator **Kerry**. How many dufflebags?

Mr. BETZNER. I would say probably 17, 15 or 17. Each of them held about 30 kilos. I estimated around 500 kilos.

Senator KERRY. And when you landed, where were the dufflebags at the time you were doing the offloading?

Mr. BETZNER. They were in the truck? They had a different truck, a fueling truck there that had a compartment in it, and that's where most of the bags were.

Senator KERRY. Who loaded the bags into the plane?

Mr. BETZNER. They were handed to me, and I stacked them.

Senator KERRY. So, you could load them correctly?

Mr. BETZNER. Yes, sir.

Senator KERRY. And again, the total load was how much?

Mr. BETZNER. Approximately 500 kilos.

Senator KERRY. The value of those 500 kilos wholesale at that time?

Mr. BETZNER. Wholesale goes all different levels. Some people say it was $20,000 and other people were wholesaling for $35,000. It depends on who and where.

Senator KERRY. At a kilo.

Mr. BETZNER. Yes.

Senator KERRY. Per kilo.

Mr. BETZNER. Yes, sir.

Senator KERRY. And you had 500 kilos.

Mr. BETZNER. Yes, sir.

Senator KERRY. So, a low end at $20,000, a high end of $35,000.

Mr. BETZNER. Right.

Senator KERRY. At that point in time.

Mr. BETZNER. At that point; yes, sir.

Senator KERRY. Do you know where that cocaine came from?

Mr. BETZNER. No, I wouldn't know precisely where it came from, but it was like all the cocaine I have picked up in Colombia. It was packaged the same way.

Senator KERRY. Subsequent to your flight, once you had gotten back, did you hear something about where that cocaine had come from or one of the loads that you had picked up from John Hull's ranch?

Mr. BETZNER. I don't understand what you are getting at there, Senator.

Senator KERRY. Did you learn anything about what Might have taken place with respect to Mr. Hull and one of those cocaine loads?

Mr. BETZNER. Oh, are you talking about the kidnaping and stuff that happened?

Senator KERRY. I'm asking you if you did hear anything.

Mr. BETZNER. I had heard something about that, but I heard about that after, long after that I did these two loads with Mr. Hull.

Senator KERRY. How long after?

Mr. BETZNER. Since I have been arrested, since I ran into George, after all this came out. That's when I found out about it.

Senator KERRY. Just for the record, because there are others who have testified to this, I would like to know what it was that you heard.

Mr. **Betzner**. I just heard that John Hull had ripped off some coke off of a boat or something or a plane or something that sunk, and the people knew he had it, and they kidnaped one of his kids in order to get it back or something. That was basically, I don't know all the details. I mean, it was just in passing conversation.

Senator **Kerry**. Do you know where you had that passing conversation?

Mr. **Betzner**. No, sir, it must have been down in MCC. It's been a while.

Senator **Kerry**. The record should show that the same story has been told by both Jose Blandon and Mr. Floyd Carlton, who was one of General Noriega's pilots who testified to it in some detail, to what took place.

Do you know Floyd Carlton?

Mr. **Betzner**. No, sir, I don't. I know of him.

Senator **Kerry**. But you have never met him?

Mr. **Betzner**. Not that I recall. I have seen his picture. I don't think so.

Senator **Kerry**. Let me at this point in time introduce into the record, this is an unclassified, now unclassified letter from the Department of the Treasury, U.S. Customs Service, a letter from Raphael Lopez to Mr. Ralph Martin, Department of Justice, Public Integrity Attorney. In 1986 my staff released a report in which many of the details, though some of them sketchy, but many of the details of the story we are hearing today, as well as other allegations, were laid out and set forth in considerable detail. The majority of those allegations, perhaps 95 percent of them, have now been proven and carried out through the Iran-Contra Committee Select investigation, in addition to the testimony before this committee over the course of the last months.

However, when that report was sent down there prior to the Iran-Contra news being made public, a check was run on our report, and in the letter it says "As explained, the data provided in Senator Kerry's report was cross checked with the criminal indexes of the Treasury Enforcement Communications System, and Headquarters files. In addition, Customs Offices of Enforcement in Miami and Atlanta were contacted. For your information, TECS," which is the Enforcement Communications System, "records are indexed by name and other identifying data. TECS query of the names furnished, that is, in our report, resulted in 21 matches. There were, however, numerous instances in which matches could not be refined as there were too many records in the universe. For example, the name John Hull resulted in 293 possible matches. Consequently, without further identifying data we are not able to determine if a record exists for some of the persons named."

Subsequent to this, subsequent to learning that Mr. Hull's name had turned up 293 times, and this was classified, and no further investigation was made, Mr. Hull was continued to permit to operate with impunity. In fact, to the point that he filed false affidavits with the U.S. attorney concerning this Senator and our investigation while continuing to work with agencies of the U.S. Government.

Mr. Hull has been under subpoena by this committee for, I think, 8 months, and he continues to avoid presenting himself to this committee. So, many questions are raised by the entire set of circumstances surrounding Mr. Hull's activities in the region, as well as in these events which have been set forward here, and I personally am disturbed by the fact that these allegations have sat out there for as long as they have with as little law enforcement followup and investigative effort.

And enough said on that.

[The information referred to appears in the appendix.]

Senator KERRY. Mr. Betzner, let me come back to the second flight.

You loaded with narcotics and came back to the United States; is that correct?

Mr. BETZNER. That is correct, sir.

Senator KERRY. Was that your last drug flight?

Mr. BETZNER. That was the last one I did for George.

Senator KERRY. Did you make any money off that flight?

Mr. BETZNER. Yes. I made about $360,000.

Senator KERRY. You say that's the last flight you did for George?

Mr. BETZNER. That is correct.

Senator KERRY. Did you do some more flights for yourself?

Mr. BETZNER. Yes. I left and went back to Hawaii and I had met this lady and had fallen in love, and we were going to be married, and we were back in Hawaii, and I had another friend call me, and made me an offer, and I couldn't refuse it, and so I was subsequently arrested and busted.

Senator KERRY. This next offer was another drug flight?

Mr. BETZNER. Yes.

Senator KERRY. From where to where?

Mr. BETZNER. From Colombia to Lake city, FL.

Senator KERRY. What kind of aircraft?

Mr. BETZNER. A Panther.

Senator KERRY. Now, this flight took place when?

Mr. BETZNER. November 13 and 14, 1984.

Senator KERRY. And you were arrested when?

Mr. BETZNER. At that time, the November 14.

Senator KERRY. At the airport?

Mr. BETZNER. No, I got away from the airport. But I was subsequently apprehended in the city, and incarcerated.

Senator KERRY. And you were indicted for?

Mr. BETZNER. For four counts, against the import of cocaine.

Senator KERRY. That is the sentence you are now serving?

Mr. BETZNER. Yes, sir. I received 15 years for that, plus 10 years special parole. And then later went back to Miami.

When I got there, I pleaded guilty to the bond jumping and the case that I had in Miami, that was then about 10 years old, and received a consecutive sentence on top of my 15.

Senator KERRY. So, your total sentence you are serving now is what?

Mr. BETZNER. Twenty-seven years and 2 months.

Senator KERRY. And you did in fact marry this woman that you met?

Mr. BETZNER. Yes, I did.

Senator KERRY. And by previous marriage you have kids; do you not?

Mr. BETZNER. Yes, sir. I have five children.

Senator KERRY. Now, do you still own a farm in Arkansas?

Mr. BETZNER. No, sir. I don't.

Senator KERRY. And there was a period of time in your life when you were in Arkansas as a crop duster that you were involved in a lot of activities. Is that not accurate?

Mr. BETZNER. Yes, sir.

Senator KERRY. You supported candidates for office, campaigns?

Mr. BETZNER. I was active in my community, and kids I grew up with and played ball with and against, and I knew them all my life.

I was president of the Jaycees. We had a nice Jaycee club in those days. I was a county coordinator for our Senator, Dale Bumpers, at the time. I was also on the executive committee of the Young Democrat Club.

And when Rockefeller ran I was in college, and I was on the executive committee of the Republican Party. And I was always interested in civic things, you know, a good citizen. As a matter of fact, my political views in those days were somewhere to the right of the John Birch Society, as were most of my friends in those days.

Senator KERRY. Now, Mr. Betzner, let me come back to a couple of things I would like to get out, and let me just offer you the opportunity here because what you have said is very important testimony and it is very significant.

And obviously, you have pointed some heavy fingers in a few directions. Is there anything in here that is shaded, something you want to change? Anything you feel ought to be restated or anything that you somehow are uncomfortable with having said it?

Mr. BETZNER. No, sir. None whatsoever. I wish I would have been in a situation where I could have kept notes and times and dates and places.

I have often wished I could have done that. But in my business, I was not able to do that.

Senator KERRY. One of the things I would like to get at, slightly outside of the other subject, is the whole notion of efforts to try to—one or two other questions if I can.

Do you have current feelings about what is happening in Central America? Do you have any political feelings about the war?

Mr. BETZNER. Well, Senator, somewhere inside of me, I have a deep appreciation of my country, its history, the Constitution and what it stands for still moves my soul considerably.

After, when, you know, standing on one side of the fence, looking at a situation, it looks one way, and you go on the other side and you look at it and it looks another way. So, do I have any feelings about it?

I think that with the proper leadership and the genuine caring, and with some commonsense, all of these things in Central and South America could have been avoided a long time ago. After all, they are connected to us. So, I am not a policymaker and I am not a politician.

Senator KERRY. I understand that, and I am not trying to ask you to go into that. But just in a short sort of answer, were you personally supportive of the Contras? Do you dislike the Sandinistas? Did you feel like you were taking sides? Or was it irrelevant to you?

Mr. **Betzner**. Well, I was sympathetic for the Contras; yes.

Senator **Kerry**. Now, one last area I just want to ask you about. The question of evasive tactics, flying all these flights in 1983-84, we were conscious of the drug problem in this country, we were spending money on enforcement and interdiction.

You seemed to fly in and out with fair impunity. How were you able to do that?

Mr. **Betzner**. Well, I made it a science. I had knowledge and background in electronics and electronic countermeasures, which means knowing how, I know the fingerprints of radar and how radar works, and that sort of thing.

And so I spent time in my aircraft with my detecting devices. I even built radar detectors and sold them. And I would go up and down the coast. I was not too concerned about the east coast of Florida. It was pretty easy.

But you had to come through an array, a net of surveillance that somewhere along the line you might be detected and followed in.

So, if you really wanted to come in incognito, at any time of the day really, all you needed to do was be able to fly below the horizon under the radar, come up into the blind spot between the radars, and then as you get in near shore always try to be, to have a heading that is southerly.

Instead of coming from the south, be coming from the north. And you just penetrate. I had my aircraft painted dark green, and the windows were tinted, so you could not see in the aircraft.

And I had tape numbers, I would just take the numbers off. And I tried to come in about 30 minutes before dark, and I was able to do that by having an Omega system on my aircraft, or a Loran.

But Omega was really nice. I could pinpoint myself within 50 feet of anywhere on the Earth, and fly accordingly. And so it was very simple to do.

I have, one of my first flights, I came in on the east coast, and just to test my theory, and I had the good fortune of picking up the Customs, what they call the citation with the infrared device on it.

And I do not know if the AWACS was tracking or not, I think it was. And then I had two aircraft, one on each wingtip, escort me in from east of Andros. They picked me up coming through the pass, Windward Pass down over Haiti.

And I just came in, had my computer set, and I just came in about 30 minutes after sundown right at Miami Beach. And lost them. I did that a couple of times.

Senator **Kerry**. How did you lose them?

Mr. **Betzner**. That particular time I came in, went between the condominiums, and flew down the inland waterway there. It was very dark. Listened to them on the scanner, what they were doing.

And I was not too sure about the AWACS, so I went on out to the international airport. And as I say again, my aircraft was dark green. I fell up under an aircraft that was on an ILS, and he was about 800 feet or so, I just pulled up under him for the fun of it, and followed him down the runway.

And when he landed I just pulled up over him and flew down the runway, and buzzed the tower, and went over to the beach and flew on up north. It was no big deal.

Senator **Kerry**. Was there an occasion that AWACS did pick you up?

Mr. **Betzner**. Yes, on my last trip they tracked me. That is when I knew someone had probably had an informer somewhere. I suspected at that moment, when I left Colombia, I was being tracked by AWACS.

And so I just went on and flew to Haiti and then I went down over Haiti and went through the valleys and over by Cape Haitian, and I flew on the water through a thunderstorm out to Great Anagua.

And I stayed east of the islands about 20 feet off the water below the cliffs, all the way up through the chain of the islands. And I listened to them on my scanner. And they lost me, and they didn't pick me up.

And I later found out the informant in my case was Enrique Lopez, or Henry Lopez.

Senator **Kerry**. You were arrested through an informant operation?

Mr. **Betzner**. Yes. My old friend Henry Lopez was the informant. And as a matter of fact, he still owes me $1 million. Maybe that was why he informed on me. But, he and Hiro Plata.

So, he knew that there were supposed to be 500 kilos on the plane, and he wondered why there was only 300 pounds. So, anyway, he was the one that did it. And here I am.

Senator **Kerry**. Are there occasions, you have come to know the informant world and the smuggler world, obviously, both of them very well.

Do you know of occasions where informants are working both sides while informing?

Mr. **Betzner**. Yes. I know several. Maybe five different groups that are involved. I cannot give you exact specifics on it.

Maybe if we had a lot of time perhaps. But I know of one specific group that I worked with, and that is Henry Lopez. Henry Lopez has been smuggling since, I now understand he was working with them in 1981, since Kojak went to work for them.

But I did not know at the time I was working with him that he was an informant. George always said he was, but George was, we all have our paranoias.

Senator **Kerry**. One or two final questions. As we try to deal with this issue of the drug war, and we are trying to allocate money and decide where it goes and how to do it, obviously one of the things people keep looking at is a multifront effort, enforcement, interdiction, education, and so forth.

You obviously have a certain disdain for the notion that interdiction is going to be very effective. Can it be more effective than it is? Is it necessary that people always work through as easily as you did?

Mr. **Betzner**. Yes, sir. I think that the human mind is a very ingenious thing, as you know. And if you count Hawaii and Alaska, we have over 20,000 miles of perimeter, almost the circumference of the Earth, to enter.

And the profits that are in this are enormous. And there are people who do not want to stop the drug trade. Obviously, we can see that there is a merging at the top with the underworld, and there is billions and billions of dollars being made here.

This is not something new, as history tells us. It has been going on since the Opium Wars. To me it is the 21st century. I am just talking from my own experience. I am not talking from what somebody said.

Frankly, I am alive and I tried about everything. And I am fortunate to have, because I am able to explain to my children, and I will never have a problem with my kids in those areas.

So, I think the name of the game is to take the profit out of it, legalize it, license people, because we live in a controlled society. We do, and we are all different. Make people buy a license, and if they are caught with it without a license and without going to school and without being educated, then fine them or do whatever punishment is necessary to those people.

If we bust, arrest, and incarcerate 4 million people, and we give each one of them 10 years, which has just about happened in the last 20 years, for drugs, and that is 40 million years, and say the average life expectancy in the 21st century is 80 years, divide that into 4 million and we have 500,000 lifetimes are wasted, you know. And for what?

Senator **Kerry**. I want to thank you for sharing the experience you have had with us, and I particularly want to thank you for being willing to obviously take the risk which is involved with this, and let this committee know of what has happened.

And I just want you to know that the subpoena which you are currently under will continue to be in effect until such time as the committee decides it does not need you further with respect to this.

We are going to take a 10 minute recess, and when we come back we are going to proceed to go with the video tapes of three Nicaraguan exiles in Costa Rica, who will testify further to some of the things that Mr. Betzner has discussed, and to their involvement in this particular sequence.

So, we stand in recess for 10 minutes.

[Recess.]

Senator **Kerry**. The hearing will come to order. Let me remind people that the evidence here with respect to narcotics and the private aid network for the Contras is cumulative, and that what we have heard here this morning is not the beginning.

Previously, this committee has heard testimony from Gen. Paul Gorman, the U.S. Army Southern Commander at one period of time, who said in his testimony:

> There were fairly sizable marijuana operations on the southern front of Nicaragua, some involving the Contras, some not.

Mr. Gorman noted that if one wants to organize an armed resistance or an armed undertaking for any purpose, the easy place to get the money and the easy places to get the guns are in the drug world. That was by way of introduction to the problem.

We have had testimony from Jose Blandon in the course of his testimony on Noriega. And Mr. Blandon testified to the shipment of cocaine from the Cali cartel that was diverted to the farm of

John Hull. And we have heard further testimony regarding that here this morning.

Mr. Blandon also testified that Sebastian Gonzalez, who was a Contra working with Eden Pastora on the southern front, became a drug smuggler. In addition, we heard from Noriega's former pilot, Floyd Carlton, who is now convicted on Federal drug charges.

He is in the witness Federal protection program. And he testified to Alfredo Caballero's involvement in helping the Contras end narcotics trafficking. He also confirmed the Cali cartel story with respect to Mr. John Hull.

In addition, we have heard from Ramon Milian Rodriguez in considerable detail about his involvement with Mr. George Morales, with his setting up the laundering of money and so forth.

There is other evidence in addition to that, but I simply want the record to show the cumulative aspects of what has been building here.

At this point in time, we are going to look at three video taped depositions, and we are only going to see a portion of them. On October 30 of last year, I traveled to Costa Rica with members of my personal staff and the Foreign Relations Committee staff, including Jack Blum, special counsel to the committee.

On Saturday, October 31, we conducted depositions of three Nicaraguans living in exile. Octaviano Cesar, Marcos Aguado, and Karol Prado. These three individuals were all members of ARDE, the Contra force commanded by Eden Pastora, that operated in the southern part of Nicaragua from 1982 to 1986.

Octaviano Cesar is the brother of Alfredo Cesar, who is one of the current seven-man directorship of the main Contra organization.

We videoed those depositions, each of which was about 3 hours long. The depositions were given under oath. Each person discussed a wide range of issues, ranging from the funding of ARDE to weapons shipments, to drug trafficking.

Cesar, Aguado, and Prado will all corroborate certain portions of testimony that you have heard thus far. These are, as I said, edited segments. The story that they tell is a very complicated one, as some have learned that all of this is complicated.

We have tried to simplify it as much as possible by dividing the video into four segments, each segment approximately 10 minutes long. After each segment, I will give a brief narration which I hope clarifies the chain of events as they unfold.

While these tapes do tell a clear story that documents some of the allegations made, there are some contradictions. For example, each of the witnesses denied personally smuggling narcotics, and two out of the three point their fingers at one or the other as a smuggler.

We will be making copies of this edited video tape available after the hearing. And in addition, the full 9 hours of video deposition will be made available for anybody who wishes to see them.

My staff has tried to create a tape that shows the contradictions, as well as the other portions, so that these are balanced. And in the first segment, you will simply be introduced to the individuals and learn what their role was in the southern front organization. If we could begin the tape.

[Video tape segment 1 begins.]

Senator **Kerry**. This is Senator Kerry and we are going to take the deposition of Mr. Octaviano Cesar here in San Jose, Costa Rica. And I would like to ask Ms. Leslie Rowe, who is a counsel here in San Jose, who is empowered to deliver an oath, to do so to our witness. Thank you.

Ms. **Rowe**. Mr. César, could you please stand and raise your right hand? Do you solemnly swear or affirm that you will tell the truth, the whole truth, and nothing but the truth, in answer to the several interrogatories and crossinterrogatories put to you?

Mr. **Cesar**. I do.

Ms. **Rowe**. Mr. Prado, do you solemnly swear or affirm that you will tell the truth, the whole truth, and nothing but the truth, in answer to the several interrogatories and crossinterrogatories now to be put to you?

Mr. **Prado**. I do.

Ms. **Rowe**. Do you solemnly swear or affirm that you will tell the truth, the whole truth, and nothing but the truth, in answer to the several interrogatories and crossinterrogatories now to be put to you?

Mr. **Aguado**. Yes.

Senator **Kerry**. At some time, you became the head, so to speak, of the southern front air force. Is that correct?

Mr. **Prado**. I became the head of the southern air force, and then I became the second in command with Eden Pastora.

Senator **Kerry**. Did you become involved in the effort to change the Government of Nicaragua in 1978–79?

Mr. **Prado**. Yes, sir. I did.

Senator **Kerry**. Do you want to describe that for us a little bit?

Mr. **Prado**. I began working against Somoza in 1977. Mainly my criteria was to topple Somoza and to create a sort of national unity of the political parties. Not all of them were bad. And in that case, we would have averted a Communist takeover.

And even during the fighting in 1979, which I was in Costa Rica in the southern front, I kept that purpose and I fought with many of the officers. And at the point after I arranged a ceasefire 5 days before Somoza left, in order to go to the negotiating table.

Fortunately, I really do not know what happened. But that is history. The Sandinistas took over, which we did not expect really.

Senator **Kerry**. Now, in 1982 you left Nicaragua because you were dissatisfied with the Sandinista regime.

Mr. **Prado**. Not with the Sandinista regime, but with a Marxist-Leninist regime. Because they are not Sandinistas. We believe in the ideals of democracy.

Basically, yes, in 1982, when the national guard in Nicaragua blew up some bridges in the northern part of Nicaragua, and the Managua regime hardened their position, I went in exile when I saw the problem with the Miskitos.

I saw the possibility of war, which I did not want for my children. I did not want them to fight for something that they did not believe in. I came to Costa Rica to see my family, which I had taken out of Nicaragua 3 months previous.

Through some friends here, I talked with Eden Pastora. And he offered me the possibility of getting involved in a movement to save the revolution. Not to do the counter-revolution, because I believe in Nicaragua it was necessary to have a revolution.

Senator **Kerry**. Well, I appreciate the distinction that you drew. I think it is a good distinction.

You became the chief of logistics really for the southern front. Is that not correct?

Mr. **Prado**. Not exactly. I started to work for the FRS with Eden Pastora in 1982. I was personally in charge of communications.

In about October 1982, when Pastora was receiving pressure on the part of Robello, who was his colleague in ARDE, as to releasing an assistant, an executive, Pastora chose me. And since then, until now, I have been working with him in that endeavor.

Senator **Kerry**. Well, is it fair to say that you were in charge of the records, the resupply, the organizational skills that the southern front needed?

Mr. **Prado**. You could say that. I was the link, you could say, between Pastora and the other sectors that were connected to the political military.

Or the link between Pastora and the outside world, the United States or Venezuela, anyone on the outside that wanted to be in contact with Pastora would have to do it through me.

[End of video tape segment 1.]

Senator **Kerry**. Segment 2, in the next segment, that was simply an introduction to each of them, to their roles.

In the next segment you will hear how George Morales, the narcotics trafficker, became a benefactor of the southern front. After the May 30 La Penca bombing and the cutoff of U.S. aid, ARDE was very short of funds and was disintegrating.

Marta Healey, whom we have heard about from Gary Betzner, the pilot, was an acquaintance of Cesar, and she told Cesar and Mr. Popo Chamorro that Morales, George Morales, wanted to donate an airplane and cash to Pastora and the southern front.

So, Cesar flew back to Costa Rica and informed Pastora of that, and Pastora instructed Cesar to look into the offer. And he flew with Popo Chamorro and Marcos Aguado to Miami in November or sometime in that vicinity.

Chamorro, Cesar, and Prado met with Morales at the house of Marta Healey. He offered to donate a plane, and the southern front Contras at that time were in need of hardware and funds.

An arrangement was made to obtain the plane, which was in Haiti. In order to deliver the plane from Haiti to El Salvador, Morales recommended a pilot, that the pilot be Aguado. Cesar was later informed that a plane did arrive at Ilopango airbase, and it was used to carry ammunition to La Penca airport.

Octaviano Cesar and Marcos Aguado also describe a trip to the Bahamas with George Morales. And on their return, Morales and Cesar, Morales asked Cesar to bring several hundred thousand dollars through Customs for him. And you will hear directly how some of this money was laundered. Segment 2 please.

This is Karol Prado.

[Video tape segment 2 begins.]

Senator **Kerry**. Now, sometime during that period that you were working with Pastora, you came to meet Mr. George Morales.

Mr. **Prado**. That is correct, exactly, here in this hotel.

Senator **Kerry**. Would you state the circumstances of that?

Mr. **Prado**. I will be extensive because it is quite interesting, and it is a part of a whole process.

After the plot against Pastora in La Penca on May 30, 1984, and the cutoff of the North American aid, which took place that same day, ARDE then initiated a lack of funds process and some disintegration, because of Robello and Chamorro leaving to join the FDN. And due to the fact these two people left, the second man for Pastora, which was Harold Martinez, left also.

After a meeting at the San Juan River, then the second in command was named, Adolfo Popo Chamorro. And at the same time Pastora was approached by Octaviano and Alfredo Cesar as new political allies.

Due to the lack of funds, it was decided that Mr. Chamorro should go to the United States with Mr. Cesar to look for funds. It could have been more or less August, September 1984, where Pastora came back to Washington, a trip where all the aid from the Central Intelligence Agency was cut off.

After that trip, Mr. Chamorro, they returned about 15 or 20 days later with the news that they had gotten help or aid. Popo Chamorro said that he was coming back, and this is a Spanish expression, with a loaf of bread under his arm.

Senator **Kerry**. After coming from where?

Mr. **Prado**. From Miami.

Senator **Kerry**. From Miami. Who came back? Popo Chamorro and Octaviano Cesar?

Mr. **Prado**. Yes. They got us together and they showed us some photographs.

Senator **Kerry**. Who is "us"?

Mr. **Prado**. It was the rest of the main cadre of ARDE. I am going to try to use the names rather than the pronouns. So they showed us some photographs of a Howard plane and a DC-4.

And they said that these planes had been a gift that were given to us, and that six additional planes were going to be given to us. A Navajo Panther. I know that, I do not know much about airplanes but I know that they are very fast airplanes and long range.

Senator **Kerry**. Did they say where, who was going to give them? Where they were coming from?

Mr. **Prado**. They said that through wife No. 1 of Popo Chamorro, which is, she is also wife No. 2, because he divorced her and remarried her.

Senator **Kerry**. Are we talking about Marta Healey?

Mr. **Prado**. I know her as Marta Reyes.

Senator **Kerry**. And do you also know that she is Marta Healey who lives in Miami?

Mr. **Prado**. Yes. Marta Healey.

Mr. **Cesar**. Marta Healey was Popo Chamorro's wife. She told me she knew somebody who wanted to contribute to the anti-Communist cause and was willing to give us an airplane and cash, to Eden Pastora.

Senator **Kerry**. She told you that here at a meeting?

Mr. **Cesar**. No. She told me that in Miami.

Senator **Kerry**. You were there on business at the time?

Mr. **Cesar**. Yes.

Senator **Kerry**. She volunteered this information to you?

Mr. **Cesar**. That is right. And I returned to Costa Rica. I told Pastora about it. And he asked me to pursue this matter. And I went to Popo Chamorro in Miami.

Senator **Kerry**. Did she tell you the name of the person at that time?

Mr. **Cesar**. Yes, she did.

Senator **Kerry**. What was that name?

Mr. **Cesar**. George Morales.

Senator **Kerry**. Did you know who George Morales was?

Mr. **Cesar**. No, sir.

Senator **Kerry**. Had you ever met him?

Mr. **Cesar**. No, sir. I went back to Miami with Popo and I went to Morales' house.

Senator **Kerry**. Do you recall approximately when that was?

Mr. **Cesar**. I think it was around November 1984.

Senator **Kerry**. 1984?

Mr. **Cesar**. I think so. Anyway, she confirmed the offer. And showed me the picture of the airplane. The C-46 or DC-3, you know they look sort of similar.

Senator **Kerry**. Could you be a little more specific? What were the circumstances? You walked into the house. Who was there?

Mr. **Cesar**. He was there.

Senator **Kerry**. Anybody else?

Mr. **Cesar**. Marta.

Senator **Kerry**. Anyone else?

Mr. **Cesar**. Popo Chamorro and myself.

Senator **Kerry**. Just the four of you?

Mr. **Cesar**. Yes, sir.

Senator **Kerry**. And you went there with what purpose in mind?

Mr. **Cesar**. The purpose of meeting this person who was willing to give us this airplane at the time the troops, the aid was cut off, and the troops in the field, although I knew that ARDE had some storage in El Salvador. They did not have any way to bring it over to the unified area. So, that was the purpose of it.

Senator **Kerry**. So, you told Popo Chamorro that the opportunity was there to get a hold of an airplane, and that this could be very helpful. You told Pastora this?

Mr. **Cesar**. I told Pastora and Pastora asked Popo and myself to pursue the matter.

Senator **Kerry**. How was the matter brought up in the meeting when you first met?

Mr. **Cesar**. He came forward and he said, "I am an anti-Communist. I believe in the fighting against the Sandinistas. I had this airplane in Haiti, which I am not using.

"I cannot bring it to the States because it does not meet the FAA requirements. But we can make arrangements so you can fly that airplane back to El Salvador."

Senator **Kerry**. Had you learned anything about George Morales at the time?

Mr. **Cesar**. No, sir.

Senator **Kerry**. Did Marta Healey tell you anything about him?

Mr. **Cesar**. No, sir.

Senator **Kerry**. Did you know anything about his background?

Mr. **Cesar**. No, sir.

Senator KERRY. Were you curious about it?

Mr. CESAR. Of course.

Senator KERRY. Did you take any steps to find out about, anything about his background?

Mr. CESAR. Yes, I did.

Senator KERRY. What did you do.

Mr. CESAR. I spoke to Marta and I told her, who is this person? And she told me who he was.

Senator KERRY. And what did she say?

Mr. CESAR. She did not say that he was a drug trafficker. She said that he was a businessman, that he had an airplane business in Opa-locka, that he was a world champion of boat racing, and that she thought he was involved in funny business.

Senator KERRY. "Funny business" she described it?

Mr. CESAR. Yes, sir.

Senator KERRY. Did you know what "funny business" meant?

Mr. CESAR. I guessed it; yes sir.

Senator KERRY. What did you guess it meant?

Mr. CESAR. I guessed that he was a crook.

Senator KERRY. Did you know in what form? Well, what did you think at that time? Did you think he was doing drugs? Did you think he was embezzling money from banks? Did you think he was robbing banks?

Mr. CESAR. No. I thought he was doing drugs.

Senator KERRY. And did you and Popo Chamorro discuss that at that time?

Mr. CESAR. Yes, we did. And prior to that, Pastora had said publicly that he had received a couple of helicopters from drug traffickers.

I am not proud of having had this type of relationship. But the circumstances there, and because in all the conversations that was present, he never preconditioned any type of business with him.

Senator KERRY. Tell me about the circumstances. You felt at that time that the cause was in such need that it was important to get the products you needed. Is that correct?

Mr. CESAR. Yes. The troops did not have boots. They were barefoot. They did not have clothes, they did not have medicine, they did not have enough ammunition to fight the Sandinistas that were putting up a big offensive.

They were going to get killed. These people wanted to go to war because they loved freedom and because the U.S. Congress gave them the means to do so.

Senator KERRY. At that time, what arrangement did you make with Mr. Morales?

Mr. CESAR. The only precondition he asked was a meeting with Pastora. That was all.

Senator KERRY. Did he say where the meeting had to take place?

Mr. CESAR. No. We came back, told Pastora about it.

Senator KERRY. Before you do that, was any final arrangement made with respect to the C-46?

Mr. CESAR. Just in principle. Just that he was going to give that plane and he was going to give cash to Pastora. And that he needed——

Senator KERRY. Was there any doubt in your mind where the plane had come from?

Mr. CESAR. He said it was in Haiti.

Senator KERRY. And the cash, did you know at that time that the cash was the result of drug transactions?

Mr. CESAR. Well, he had a combination of drug business and legitimate business.

Senator KERRY. What was the next step at that point?

Mr. CESAR. The next step, Marcos Aguado and Popo Chamorro went to Miami. I arrived about a week later. And they picked me up at the airport, Morales, Chamorro, and Aguado.

We went to the Opa-locka airport and stayed in his office, Morales' office. He had several airplanes there.

Senator KERRY. This is when?

Mr. CESAR. About a month later.

Senator KERRY. 1984?

Mr. CESAR. Yes. At the beginning of 1984. Anyway, at the office, we discussed flying the airplane. I mean, they did. I am not a pilot.

And how the airplane needed a little bit of adjustment, et cetera, et cetera. And Marcos Aguado said he could make arrangement for that plane to be flown into the Ilopango military airbase on El Salvador. And he was going to fly it.

Then Morales said, "Why do we not go to the Bahamas, the four of us?" And another pilot, his pilot, said, "We can try the skills of Marcos Aguado." We did so. We went to Bimini, and it was about noontime, close to noontime.

And we went to Bimini and we returned the same day from Bimini. We went to, I remember, a bar where everybody used to go there.

Senator KERRY. Let me just interrupt you if I can there for 1 minute. Was there a discussion in Miami prior to that about transferring funds, making arrangements for the transfer of funds?

Mr. CESAR. No, sir.

Senator KERRY. Do you recall any discussion about funds at that time?

Mr. CESAR. No. In general, that we needed the plane. ARDE did not have money, just to pay for the fuel for the plane.

Senator KERRY. So, you were still pushing for cash?

Mr. CESAR. Yes.

Senator KERRY. Go ahead. You were saying you went to Bimini, you went to the bar that was frequented by Hemingway.

Mr. CESAR. That's right.

Mr. CONNOLLY. Go ahead.

Mr. CESAR. On the return, about 15 minutes before landing, he pulled out some checks and asked Popo Chamorro and myself and said: "Listen, I'm going to give this money to Pastora. Now, I need for you to declare in U.S. Customs this check." Being a businessman, it might sound ridiculous or stupid, but at that moment I was not acting as a businessman.

I was trying to convince this person to give some aid, and that's the truth.

Senator KERRY. The check that he pulled out was a check for $400,000 or checks totaling $400,000?

Mr. CESAR. I didn't count it, and that's the honest truth, sir.

Senator KERRY. You knew it was a significant sum of money?

Mr. CESAR. Yes.

Senator KERRY. And it was cash?

Mr. CESAR. I didn't see any cash.

Senator KERRY. No, it was going to be cash through the transaction that was taking place?

Mr. CESAR. Right.

Senator KERRY. And you knew that. Well, go ahead.

Mr. CESAR. We landed at Opa-locka, went through immigration.

Senator KERRY. Let me be more clear now. What he was asking you to do was effectively take this money through Customs for him; correct?

Mr. CESAR. Well, you could say that. The way he put it was to take this money through Customs for Pastora.

Senator KERRY. But the money at that time was coming from Morales?

Mr. CESAR. Yes.

Senator KERRY. And you were taking custody of it in order to put it through the Customs process?

Mr. CESAR. Yes, sir.

Senator KERRY. And you knew at that time that the money was coming from Mr. Morales, a drug trafficker?

Mr. CESAR. He didn't say that. I knew it was coming from him.

Senator KERRY. But you knew that?

Mr. CESAR. By that time I knew that he was involved in drug trafficking; yes, sir.

Senator KERRY. When you landed, what happened?

Mr. CESAR. We went through immigration and Customs, filled out an application form, and we were out in 15 minutes.

Senator KERRY. Let me show you this and see if you recognize this as a Customs form.

Do you recall whether or not in the course of that trip some checks exchanged hands?

Mr. AGUADO [speaking through an interpreter throughout]. Yes, not exchanged, in that Cesar or Chamorro or Morales gave a check. But I do remember that when we came back—but I do remember that on the way back Mr. Morales asked Chamorro to introduce some money to the United States.

I assumed that it was to help buy boots and uniforms and that kind of aid at that time. But I never saw the money. I think that it went back in Morales' hands.

Senator KERRY. Did you see the checks?

Mr. AGUADO. No.

Senator KERRY. Well, how do you know about this transaction?

Mr. **Aguado**. I was up front with the pilot talking to him about the airplane and the range of the airplane. Without wanting to, you hear what's going on at that time, without paying too much attention, because I thought also at that time that Mr. Morales was a bridge of salvation for the anti-Communist movement itself.

Senator **Kerry**. Why did you think that?

Mr. **Aguado**. Here is one who gives an airplane, and he was not asking me for anything in exchange for that personally.

When we talked a little bit more, he and I, he asked me if I wanted to work with him. I said that, no, that my political and military interests in my country did not allow me to do that, but I appreciated the confidence or trust that he had in me.

He congratulated me for that answer and he gave me $500 so that I could pay my expenses in Miami during those 5 days that I was there.

Senator **Kerry**. Did you have occasion to say to someone in the CIA that you were getting money from him and you were concerned he was a drug dealer? Did you pass that information on to somebody?

Mr. **Cesar**. Yes, I passed the information on about the—not the relations—well, it was the relations and the airplanes; yes. And the CIA people at the American military attache's office that were based at Ilopango also, and any person or any plane landed there, they had to go——

Senator **Kerry**. And they basically said to you that it was all right as long as you don't deal in the powder; is that correct? Is that a fair quote?

Mr. **Cesar**. Yes.

Senator **Kerry**. Now, at what point in time did you learn that Mr. Morales also was involved with drugs?

Mr. **Aguado**. When he offered me work.

Senator **Kerry**. And that was during your first trip to Miami?

Mr. **Aguado**. The only time I met him was in Miami.

Senator **Kerry**. Can you describe that conversation to us? How did you find out that it was drugs that he wanted you to work at?

Mr. **Aguado**. He let me understand that he worked with marijuana, that it produced a lot of money, and he had a very safe organization.

[End of video tape segment 2.]

Senator **Kerry**. Now, none of the three individuals testifying were aware of the Morales weapons deals, but all three had knowledge of weapons shipments generally to the southern front.

For instance, Aguado stated that he only moved weapons from an unnamed third country. All three of them provided information about the supply process for the Contras. And according to Prado, Popo Chamorro and Octaviano Cesar brought $50,000 with them from Morales on another occasion to cover support for the troops.

Prado was in charge of the resupply operations and he was Pastora's link to the outside world. He describes how before the La Penca bombing John Hull's ranch was used as a primary site for that resupply effort.

Now, there's nothing surprising about weapons and supplies being shipped to the Contras. That's been documented before on many occasions. And there was a period where one part of the network was well known.

What is significant, at the end of this next segment, is the point that Aguado confirms, which we have stated again and again, which is that many of the same connections, airstrips, and people used in the delivery of weapons were also used in the delivery of drugs.

Senator **Kerry** [by videotape]. How did you find out that it was drugs that he wanted you to work at?

Senator **Kerry**. This is the end of the last segment. I am sorry, but it respins on us here and there is no way to cue it.

My apologies for that. We are struggling with the technology here.

[A video tape was played, the text of which follows:]

Senator **Kerry**. Now, also did you not arrange a number of flights for the transport of weapons with Mr. Morales?

Mr. **Aguado**. Never. I never ran into it. I never flew it. I did see the airplane at the airport here.

Senator **Kerry**. Do you know of any weapons shipments that were arranged or any other kind of shipments arranged by Mr. Morales?

Mr. **Prado** [speaking through an interpreter throughout]. No. All I knew about was the money, Mr. Octaviano Cesar and Mr. Chamorro and the first trip, when they came and brought with them $50,000.

Senator **Kerry**. Who brought the $50,000?

Mr. **Prado**. They said that it had been given by Mr. Morales, the benefactor.

Senator **Kerry**. Who said that?

Mr. **Prado**. Popo Chamorro.

Senator **Kerry**. Now, to your knowledge were weapons shipments arranged from Miami to support the activities on the southern front?

Mr. **Prado**. With the matter of funds and the lack of support from the U.S. Government and the presence of Commander Pastora in Miami, and press conferences, open press conferences which he gave, they gave him an M-130, an R-15, and some ammunition that they sold at gun shops in Miami, once a large number of uniforms—3,000 uniforms, 3,000 pairs of boots.

And I think he brought them personally for Popo Chamorro and Carlo Prado, too.

Senator **Kerry**. Do you recall what airline or what aircraft brought the guns you talked about from the Florida gun stores? Or was that your aircraft?

Mr. **Aguado**. No, this was in an airplane in which the 3,000 uniforms and 3,000 pairs of boots were brought, the plane which belonged to Mr. Sarkis. I don't think it was any war weapon from the United States.

Senator **Kerry**. Do you personally recall flying a C-47 with those weapons?

Mr. **Aguado**. Probably, yes. It was the only plane available.

Senator **Kerry**. The C-47?

Mr. **Aguado**. Yes.

Senator **Kerry**. Now, where did you fly that from?

Mr. **Aguado**. From a Centran American country to the La Penca landing strip in Nicaragua.

Senator **Kerry**. Do you recall when that would have been?

Mr. **Aguado**. Probably between October and December 1984.

Senator **Kerry**. Did you continue to fly those flights into 1985?

Mr. **Aguado**. Yes, until early 1986, when we no longer had anything at all to carry.

Mr. **Cesar**. Popo Chamorro, as second in command from Pastora, took over all direction.

Senator **Kerry**. What was the sequence of events? You landed in Miami?

Mr. **Cesar**. Yes.

Senator **Kerry**. When was that plane then dispatched to Ilopango?

Mr. **Cesar**. I don't know. I never saw the plane myself. I have never seen the plane. I know the plane arrived in Ilopango some time later.

Senator **Kerry**. How did you know that?

Mr. **Cesar**. Because Popo Chamorro told me, and then I met Marcos Aguado after he returned from the trip.

Senator **Kerry**. Do you know who made the arrangements for this plane to go to Ilopango?

Mr. **Cesar**. No, sir.

Mr. **Blum**. Excuse me just a minute. Which plane are we talking about here? The C-46?

Mr. **Cesar**. That is my understanding.

Mr. **Blum**. Was there another aircraft that wound up going from Morales to Ilopango?

Mr. **Cesar**. I don't know about it.

Mr. **Blum**. You only are aware of the C-46?

Mr. **Cesar**. That is the only one that I saw in the picture. I saw the plane in a picture. I've never seen it really, but I heard hearsay that the plane was ferrying ammo from Ilopango into the airfield of La Penca, which is in the northern part, that at that time was held by Pastora. I never saw the plane because—I mean, I was not involved into that part.

Senator **Kerry**. Do you have any knowledge of how the arrangements were made for that plane to land at Ilopango?

Mr. CESAR. No, sir.

Senator KERRY. You only know that it did?

Mr. CESAR. Yes, sir.

Senator KERRY. On a previous flight, John Hull planned a weapons delivery with you; correct?

Mr. AGUADO. Way before May 1985.

Senator KERRY. When approximately, could you tell us?

Mr. AGUADO. All of 1983 and the first few months of 1984.

Senator KERRY. Do you know of other flights that took place in which other money came in or weapons?

Mr. PRADO. No.

Senator KERRY. You know of weapons that were arranged at John Hull's farm?

Mr. PRADO. I remember flights before La Penca going to Mr. John Hull. There is a border, which is La Penca. Before La Penca, John Hull was very cooperative with us and he was very nice to us, and after La Penca it was quite the contrary.

Before La Penca, there were flights from El Salvador to John Hull's ranch for us, for Pastora's people.

Senator KERRY. With weapons?

Mr. PRADO. With weapons.

[End of video tape segment.]

Senator KERRY. Now we come to the very last segment, and in the last segment the three of them discuss the question of drug trafficking. According to Aguado, drug traffickers took advantage of the anti-Communist sentiments throughout most of Central America. He admits that narcodollars provided easy, quick money for the troops' dire needs.

Aguado also implies that Geraldo Duran, whose name incidentally has been mentioned previously in testimony here, who was a Contra pilot, was involved in drug trafficking.

Karol Prado states that drug money was used to support the Contra troops. He also maintains that Geraldo Duran was a drug pilot, and he mentions Jose Angel Guerra as a pilot for the cartel.

Prado testifies that before the La Penca bombing John Hull's ranch may have been used as a drug transit base.

Cesar admits that he knew drug money was supporting the Contras and that, while he wasn't proud of it, the Contras were desperate. He also makes the point that numerous intelligence agencies, both United States and foreign, were aware that drug money was being used to support them.

So, we move to the final segment.

[Video tape:]

Senator KERRY. And you needed help?

Mr. PRADO. Not only from the United States; we would have wanted this help from the whole world, but without any strings attached.

Senator KERRY. Now, what strings did Mr. Morales attach to it, if any?

Mr. PRADO. When Popo left the plane in the hands of Mr. Morales, in my opinion there was a string. We were allowing nonpolitical things to be done with a political guise. When Popo talks about providing fuel for planes which go north with drugs, then there are strings attached.

Senator KERRY. Did Popo talk about that?

Mr. PRADO. At the meeting with Popo and Tito, they called me and talked about that.

Senator KERRY. And specifically what did they talk about?

Mr. PRADO. The planes that go through the areas and we would provide fuel for them.

Senator KERRY. What planes?

Mr. PRADO. At that time we had the La Penca Airport and the Atlanta Airport.

Senator KERRY. What planes would go through and get fuel? What planes are you referring to, drug planes?

Mr. PRADO. Yes, drug planes.

Senator **Kerry**. Was that going to mean money for Popo Chamorro and the effort? Is that what the deal was? In exchange for the fuel, planes came through, and you got cash?

Mr. **Prado**. Yes.

Senator **Kerry**. It's my understanding you also knew some of the pilots who were flying drugs in and out?

Mr. **Prado**. The only one I knew who was flying drugs, because they arrested him, was Geraldo Duran and Jose Gerra.

Senator **Kerry**. And they were flying out of Hull's ranch, among other places; is that correct?

Mr. **Prado**. As far as I knew, they used several of John Hull's farms. After La Penca, they used a place called Monico.

Senator **Kerry**. You say "they used." When you say "they used," do you mean they used both for the drug flights and for the weapons flights?

Mr. **Prado**. I can't say for drugs, because I would not know for certain. I knew that they flew in supplies generally, but after La Penca I don't know specifically. Before La Penca, we never heard about drugs.

Senator **Kerry**. You also said to Mr. Blum in the same conversation that the drug activity revolved around Eden Pastora; you knew that, but you couldn't do anything about it. Is that accurate?

Mr. **Aguado**. Duran helped us when we started with the fight, with the struggle, as a salaried man. He would charge for each flight that he would perform in Costa Rica, never in Nicaragua. For example, we would rent medium-sized airplanes in Costa Rica and Duran would take them to an airstrip, and I would take it then and fly it into Nicaragua with weapons or whatever other kinds of supplies.

Unfortunately, this kind of activity, which is for the freeing of a people, is quite similar to the activities of the drug traffickers.

I understand that many of the collections and a lot of the work that we have done to help the southern front, they might have used the same for the traffic of drugs.

Senator **Kerry**. The same what?

Mr. **Aguado**. The same connections, the same airstrips, the same people. And maybe they said that it was weapons for Eden Pastora and it was actually drugs that would later on go to the United States.

Senator **Kerry**. But you have already confirmed privately, and I would like you to state now, as others have, that narcotics trafficking became confused in the efforts to support anti-Sandinista efforts. Is that accurate?

Mr. **Aguado**. Undoubtedly. They took advantage of the anti-Communist sentiment which existed in Central America, Honduras, and Salvador and Costa Rica and Panama, and they undoubtedly used it for drug trafficking. They fooled people.

Senator **Kerry**. You know this of your personal knowledge; correct?

Mr. **Aguado**. Yes.

Mr. **Prado**. I would like to clarify that as a consequence of the experience I had in all of this, especially toward the end of 1984, the beginning of 1985, where agents of the CIA here in Costa Rica, where an agent of the CIA in the United States told Arturo Cruz that I was involved in drugs, I practically turned into an investigator, because I thought that it was basically a political attack and I wanted to get to the bottom of it.

That's the reason why I have so many names and a lot of information, because I have looked into it.

Mr. **Blum**. What did you find out as you looked into it? What did you discover about drug trafficking among these people?

Mr. **Prado**. I would say that two things happened. On the one hand, drug traffickers that approached political groups, like ARDE, trying to make deals that would somehow camouflage or cover up their activities, on the one hand. On the other hand, I believe that there were people from the Central Intelligence Agency, that they set up traps for some of our ideological colleagues that got them excited, that maybe were promised that if Pastora was removed they would end up being left.

Mr. **Blum**. Recall that when we talked that you said you dealt with Morales and you mentioned to me that at the time you justified it in your own mind. And I wonder if you could share with us exactly what it was you were thinking about when you realized he was a drug trafficker and continued to deal with him?

Mr. **Cesar**. Well, to be absolutely honest with you, it never entered into my mind us having anything to do with the business. But I was thinking in terms of the security of my country. I mean, our fight is not just against the Communists; it is against the people that opposed Reagan.

I read in the Washington Post the day that President Reagan said that he was a Contra. We just about lost the battle. So, we have had to fight on all different types of fronts.

And yes, I'm very concerned because I hate what has happened, to be absolutely honest. But I like to read history books, I know when the security of the United States has been endangered you have used some types of people like that. I remember Mr. Luciano before the invasion of Sicily.

And Mr. Stalin. There's no comparison between these people and Stalin, but you thought the security of the United States was more important, to have some type of an arrangement with Mr. Stalin against Hitler.

That doesn't justify it. I'm not trying to say that. But at the moment, it just didn't enter my mind that I would have become involved in such a mess, because it never entered my mind to get in that business. If I was going to do any business with anyone, I would never do it through ARDE, because ARDE was absolutely checked 100 percent by the Sandinistas, by the CIA—they knew exactly what everybody was doing there—by Costa Rica, by the Israelis.

There are at least maybe a dozen intelligence agencies here in Costa Rica, and everybody was after ARDE, which was the only operation here in Costa Rica. So, I mean, just for logic.

Of course, it's not the same to see Pastora or Popo—I went a couple of times inside of Nicaragua and I saw the people there. Young kids, 15, 16 years old, they were carrying 30 or 40 rounds of ammunition against the Sandinistas. They carry an average of 100 rounds, and all the firepower and everything.

And that's why I did it. I'm not proud of it, but that's the reason.

Senator KERRY. In effect, I mean, I hear you saying it was a very conscious kind of reasoning process that you went through and it was one that was based on need, and you said, we need the money and therefore we're willing to take it from George Morales or anybody else; is that correct?

Mr. CESAR. Yes, sir.

And let me say that the troops operating in the field, they had at their base their supporters. Now, the troops, you can move them from one place to another and they have at least 100 rounds for defense, but what do you do with the campesinos there?

Senator KERRY. Let me ask you a question, Mr. Cesar. And I don't want to get overly moralistic here or something. But I want to ask you the question because you talk about your need and the need to take money from where it was necessary in order to support your effort; correct?

Mr. CESAR. Right.

Senator KERRY. What happens if the results of the taking of that money are that more kids die on the streets of American cities because they take drugs?

Mr. CESAR. I was never involved in drug trafficking.

Senator KERRY. I understand that.

Mr. CESAR. I never got involved in murder. And you became a partner with Stalin and he murdered millions of people.

I am totally against the drug traffic.

Senator KERRY. But the money that comes from it can do anything it wants?

Mr. CESAR. No, sir. Like I say, I'm not proud of that, but I just didn't have any choice. I mean, the U.S. Congress didn't give us any choice. They got these people into a war. They people went inside of Nicaragua, 80 miles inside. They had thousands of supporters, campesinos there helping them, feeding them.

Now, when those people retreat, those campesinos were murdered by the Sandinistas. I don't want that, but that's the reality of life.

[End of video tape segment.]

Senator KERRY. I think this testimony speaks for itself and speaks pretty powerfully. I personally liked Octoviano Cesar and respect him in many ways and think he's a very committed person. But obviously, as he himself said, that doesn't excuse what was done.

We are going to recess. We will come back and Mr. George Morales will testify when we return, and we will pick this up at 2:30. We are recessed until 2:30.

[Whereupon, at 1:20 p.m., the subcommittee was recessed, to reconvene at 2:35 p.m., the same day.]

AFTERNOON SESSION

Senator KERRY. The hearing will come to order.

We will now hear the testimony of Mr. George Morales, who has obviously been referred to by a number of witnesses here during the course of the morning and at other times.

Mr. Morales, would you please stand so that I may swear you? Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MORALES. I do.

Senator KERRY. Mr. Morales, you do speak English; correct?

STATEMENT OF GEORGE MORALES, FEDERAL PRISONER; ACCOMPANIED BY SHELDON YAVITZ, ESQ., COUNSEL

Mr. MORALES. Yes, I do.

Senator KERRY. But we have a simultaneous translation here, and I think for accuracy, would you be more comfortable with the translation?

Mr. MORALES. OK.

Senator KERRY. Is that easier for you to do it in Spanish?

Mr. MORALES. Yes.

Senator KERRY. Would you state your full name for the record, please?

And if you would put this on and plug it in.

Mr. MORALES. George Morales.

Mr. YAVITZ. My name is Sheldon Yavitz. I'm an attorney for Mr. Morales. My office is in Miami, FL.

Senator KERRY. Now, Mr. Morales, are you currently incarcerated in a Federal prison?

Mr. MORALES. Yes, I am.

Senator KERRY. And what are you serving a sentence for?

Mr. MORALES. I'm serving a 16-year sentence.

Senator KERRY. And for what have you been convicted?

Mr. MORALES. Continuing criminal enterprise.

Senator KERRY. You are going to have to choose. You can speak in Spanish or English.

Mr. MORALES. It is difficult for me to translate continuing criminal enterprise into Spanish. [Laughter.]

Senator KERRY. Where were you born?

Mr. MORALES. I was born in Colombia.

Senator KERRY. What year?

Mr. MORALES. In 1948.

Senator KERRY. When did you come to the United States?

Mr. MORALES. I came to the United States in 1970–71.

Senator KERRY. Are you now an American citizen?

Mr. MORALES. Yes, I am.

Senator KERRY. When did you become an American citizen?

Mr. MORALES. In around 1979 or 1980.

Senator KERRY. What education have you had?

Mr. MORALES. I have had about 16 years, 15, 16 years of education.

Senator KERRY. And where were you educated?

Mr. MORALES. In Colombia at the Institute Antonio Gomez Vestepo, and I studied at the Colombian American Center.

Senator KERRY. Now, you are not testifying here under any immunity, are you?

Mr. MORALES. No.

Senator KERRY. And you do not have any agreements whatsoever from any entity of Government regarding your current incarceration, do you?

Mr. MORALES. No.

Senator KERRY. And you have had no discussions at all with this committee about your sentence or any other matter relating to incarceration?

Mr. MORALES. No, not at all.

Senator KERRY. You are here under subpoena, but you are here under your free will, willing and desirous of testifying; is that correct?

Mr. MORALES. Yes, that is correct.

Senator KERRY. Currently the sentence you are serving is how long?

Mr. MORALES. Sixteen years.

Senator KERRY. Now, when did you—strike that.

When you came to live in the United States, what kind of employment did you get?

Mr. MORALES. I was working in restaurants, then I worked in a printing company. I was a supervisor for a painting company. I was also president of a union company in painting. I had a construction company.

Senator KERRY. Did you begin your own construction company?

Mr. MORALES. Yes.

Senator KERRY. What year did you begin your construction company?

Mr. MORALES. In around 1974 of 1975.

Senator KERRY. You began to do fairly well in that company?

Mr. MORALES. Yes.

Senator KERRY. Now, sometime in the 1970's did you become involved in narcotics trafficking?

Mr. MORALES. In 1978–79, around 1979.

Senator KERRY. Will you tell us how that happened?

Mr. MORALES. I met these two people, one of whom was called Luis Garcia Kojak.

Senator KERRY. Is that Kojak?

Mr. MORALES. Pardon?

Senator KERRY. The person known as Kojak?

Mr. MORALES. Yes.

Senator KERRY. Let the record show that is the same person that was referred to in testimony by Gary Betzner and who has testified before this committee.

Mr. MORALES. And someone else called Jose Enrique Lopez, in 1979, they were operating in the Bahamas, and a need arose to import into the United States from the Bahamas a certain number of marijuana. They contacted me and more or less like that, that is how that career of importing drugs toward the United States began.

Senator KERRY. Do you have any idea why they contacted you, why they thought you might be interested in this?

Mr. MORALES. That was at the time when there was a demand for boats to take marijuana to the United States, and I accepted the offer.

Senator KERRY. Were you involved with boats at that time?

Mr. MORALES. Yes. I did.

Senator KERRY. Describe for us what kind of boat involvement you had.

Mr. MORALES. I had a Wellcraft boat, 28 foot. I was in Bimini, and I met one of these two men. They needed to bring marijuana into the United States, and for another friend I did that deal. At that time we were waiting for the load for quite a few days, and that shipment didn't arrive. There were problems on the plane.

Senator KERRY. We don't need to go into the details. I just want to get a sense of how you began.

Were you involved as a boat racer then? Were you already racing boats?

Mr. MORALES. Yes, I was beginning to. I was beginning to race these race boats.

Senator KERRY. And did you become very proficient as a racer?

Mr. MORALES. Yes.

Senator KERRY. Did you win some world championships?

Mr. MORALES. I won three consecutive world championships.

Senator KERRY. Where did you win those?

Mr. MORALES. Pardon?

Senator KERRY. Where did you win those?

Mr. MORALES. In Key West. And I won one of the most prestigious races from Miami to New York. I broke the record by 19 hours. I have another world record, where there are two races in the United States and two in England. I have another record. And I don't remember right now of any more.

Senator KERRY. Are some of those records still in the Guinness Book of Records?

Mr. MORALES. Yes.

Senator KERRY. So, you knew how to drive a fast boat, and that was attractive to people, and that made your job that much easier, obviously.

Mr. MORALES. Yes, that's it.

Senator KERRY. So, after the first time you became involved in narcotics smuggling, did you then continue to create your own enterprise?

Mr. MORALES. Excuse me? Could you repeat that question, please?

Senator KERRY. After this first boat trip by which you brought marijuana into the United States—are you losing the sound?

Mr. MORALES. No. I don't have any sound. I have no sound at all.

Senator KERRY. Press the button.

Do you have that now?

Mr. MORALES. Now I do.

Senator KERRY. Did you start your own enterprise as a result of that first smuggling effort?

Mr. MORALES. Yes. I began that on a personal basis as a result of those events.

Senator KERRY. As a result of those events, did you buy a company called Aviation Activities?

Mr. **Morales**. I bought that company, Aviation Activities, in 1980.

Senator **Kerry**. And did you buy it in order to use airplanes for smuggling?

Mr. **Morales**. It was much more convenient to have my own company since at that time it already had a large number of planes.

Senator **Kerry**. What did you want them for? You bought the planes in order to help smuggle?

Mr. **Morales**. Yes, for the smuggling of drugs.

Senator **Kerry**. How many airplanes did the company own?

Mr. **Morales**. About 10, 15 planes.

Senator **Kerry**. Were all those planes involved in smuggling?

Mr. **Morales**. Most of them.

Senator **Kerry**. A few of them did charter business for cover?

Mr. **Morales**. Yes, most of them, too.

Senator **Kerry**. Now, how many pilots worked for you?

Mr. **Morales**. Throughout my whole career, during which I imported marijuana or smuggled marijuana, around 30 pilots.

Senator **Kerry**. You also smuggled cocaine, too, right? That was later?

Mr. **Morales**. Not at the beginning. I became involved with this type of drug in around 1984, but I think I had done one or two before that, maybe not directly, but I rented at least a plane. I don't remember exactly.

Senator **Kerry**. Now, during the time you had your own company, you had about 20 to 30 pilots going through the system?

Mr. **Morales**. Yes.

Senator **Kerry**. Was Gary Betzner one of those pilots?

Mr. **Morales**. Mr. Gary Betzner began working for me in 1980.

Senator **Kerry**. Are any of these pilots now in jail besides Mr. Betzner, who we know is?

Mr. **Morales**. Yes. They are, but I would rather, for obvious reasons, not give you information. I can't really tell you their names, but yes, I do know that some of them are still in prison.

Senator **Kerry**. Well, you have shared a number of their names with us in private session, have you not, Mr. Morales?

Mr. **Morales**. Yes, I did. It is public record.

Senator **Kerry**. Did Mr. Richard Healey work for you also? Was he one of those pilots?

Mr. **Morales**. He was one for around 3 years. He was the chief of pilots for around 3 years of the Aviation Activities Co., at the beginning of the 1980's.

Senator **Kerry**. And is that Richard Healey the former husband, now deceased, of Marta Healey?

Mr. **Morales**. Yes, he was.

Senator **Kerry**. Was Marta Healey a friend of yours?

Mr. **Morales**. Yes.

Senator **Kerry**. You knew her for quite a few years; correct?

Mr. **Morales**. I have known her for around 8 years.

Senator **Kerry**. And did Richard Healey smuggle drugs for you?

Mr. **Morales**. That is on the public record; yes, sir.

Senator **Kerry**. And was Richard Healey also deeply involved in assisting the Contras in Central America?

Mr. **Morales**. I understand that he also assisted the Contras in Central America.

Senator **Kerry**. When you say "understand," you knew while he was working for you that he did that; didn't you?

Mr. **Morales**. Yes, I did.

Senator **Kerry**. And you knew that he was particularly dedicated to this effort; did you not?

Mr. **Morales**. Yes, I did.

Senator **Kerry**. Now, you began by smuggling marijuana; correct?

Mr. **Morales**. Yes, in around 1980.

Senator **Kerry**. And the marijuana came from, the marijuana came from where?

Mr. **Morales**. The marijuana that I took into the United States came from Colombia. It was my own marijuana.

Senator **Kerry**. When you say your own marijuana, what do you mean?

Mr. **Morales**. I financed the purchase of the marijuana directly. There were no in between people.

Senator **Kerry**. You dealt with Colombians directly in that; is that correct?

Mr. **Morales**. Yes.

Senator **Kerry**. In fact, you came to know—and I will not pursue this further now, but I will come back—but you did come to know some members of the cartel; did you not?

Mr. **Morales**. Yes, I did.

Senator **Kerry**. Now, during this time, did Mr. Betzner also fly weapons for you anywhere?

Mr. **Morales**. At the beginning of 1980 there was a demand for weapons in Colombia, not for the guerrillas, and I want that to be very clear. These were weapons we were sending quite a few times directly for the people who were taking care of the marijuana plantations.

Senator **Kerry**. So, these were for the growers and the other people; is that correct?

Mr. **Morales**. Yes, that is correct.

Senator **Kerry**. And Gary Betzner flew a number of those flights for you?

Mr. **Morales**. Mr. Betzner was probably one of the pilots who most flew for me during those 6 years.

Senator **Kerry**. Was he a good pilot?

Mr. **Morales**. The best.

Senator **Kerry**. And the marijuana that you flew back from Colombia, much of it went to the Bahamas; is that accurate?

Mr. **Morales**. Most of it went to the Bahamas.

Senator **Kerry**. And in the Bahamas you would offload it and put it on boats?

Mr. **Morales**. Yes, we did.

Senator **Kerry**. And then you would bring it in to the Florida coast by your speedboats?

Mr. **Morales**. Correct.

Senator **Kerry**. Why did you choose the Bahamas as the place to do the offloading?

Mr. MORALES. It is the best place, the most adequate place which lends itself most easily. It is the most convenient place, the nearest place from the coast, from the Florida coast, which is why we decided to use the Bahamas.

Senator KERRY. Is there any other reason why it is easy and best?

Mr. MORALES. Well, I think these are sufficient reasons, in addition to it being one of the countries where one can truly deal with the money. What I mean with that is that you can buy quite a few facilities or convenient thing, things that will help you to import the drugs.

Senator KERRY. Like what?

Mr. MORALES. You can buy airports, pay for airport security.

Senator KERRY. Officials, police? You can buy them?

Mr. MORALES. Politicians, police, a number of convincing and convenient factors which help in getting income from this export.

Senator KERRY. So, in other words, it is wide open. The Bahamas are easy?

Mr. MORALES. Exactly.

Senator KERRY. Now, you have not been in the business since, how long have you been incarcerated, since when?

Mr. MORALES. I have been incarcerated since June 14, 1986.

Senator KERRY. In the time——

Mr. MORALES. The June 12, 1986, I'm sorry.

Senator KERRY. And in prison you had an opportunity to talk to people more recently arrived in prison who were engaged in smuggling; is that correct?

Mr. MORALES. Correct.

Senator KERRY. Did they continue to use the Bahamas with the same facility?

Mr. MORALES. More or less. It is well known that even up to now the Bahama Islands are used quite frequently.

Senator KERRY. How frequently did you transit the Bahamas for narcotics purposes?

Mr. MORALES. Well, that depended, it varied. At times I made seven trips in 1 week; at other times I didn't do anything for 3, 4, 5 months. That depended, that fluctuated, and that fluctuated a lot in my organization.

Senator KERRY. Did you rely on air drops, offloading to smaller planes or the use of boats, or did you use everything?

Mr. MORALES. Yes, we did that several times.

Senator KERRY. Were the airdrops when the plane would fly very low and a couple of boats would be on the water, and they would kick the bales out into the water?

Mr. MORALES. Exactly. The plane approached at about 500, 400 feet height. Other times it did a circumference, depending upon the type of plane we had and that was being used at that point.

Senator KERRY. Was that dangerous?

Mr. MORALES. I don't think so.

Senator KERRY. Were some lives lost doing that? I think I've seen a Customs video that showed them tracking one, and the plane went right into the water.

Mr. MORALES. There have been occasions when there have been quite a few accidents, but that is rather due to a lack of knowledge of the operator than to the danger itself of that kind of operation.

Senator KERRY. Did you ever use Cat Island in the Bahamas as a transshipment point?

Mr. MORALES. I don't remember.

Senator KERRY. And who did you typically deal with? Who would you have to bribe in order to facilitate an operation in the Bahamas, how many different people or different groups of people?

Mr. MORALES. That depended on the island in which you wanted to operate. Often I would have to pay just one person. Other times I had to pay quite a few people. That is because people in the Bahamas are not very reliable. You had to make sure that the money was well distributed so as to be able to make sure that you had good security during these trips.

Senator KERRY. Did you personally, you, Jorge Morales, pay money to officials, including elected officials, in the Bahamas?

Mr. MORALES. Yes. I personally paid quite a few times. I am sure that that is part of the public record as well as in the indictment of my case.

Senator KERRY. How much typically would you pay for a bribe?

Mr. MORALES. Well, that varied, sir, depending on the magnitude—I'm sorry, on the size of the load.

Senator KERRY. What is the low end?

Mr. MORALES. For a small plane, a Panther for instance, one would pay about $35,000 to $50,000 for everything, the facilities in the island, including Government facilities as well as those people who would help you in one or another way in unloading and in making sure that merchandise was safe.

Senator KERRY. And for a large load, what, a C-46 or a DC-3?

Mr. MORALES. For the traffic for which I'm serving time, I'm accused of loading a few DC-3's. They mentioned that I paid around $100,000 $120,000 for each plane.

Senator KERRY. Is that accurate?

Mr. MORALES. Yes, that is.

Senator KERRY. Did you launder money in Panama?

Mr. MORALES. I would like to explain something to you, sir. The words "money laundering" can be used in a country where the law does not allow you that, for instance, it is not a crime in countries such as the Cayman Islands and Panama, especially Panama, to be having a lot of money in cash as long as you know or have a contact and how to handle this type of situation.

Senator KERRY. Did you have such a contact?

Mr. MORALES. Yes.

Senator KERRY. So, you were able to move large amounts of cash to Panama?

Mr. MORALES. Yes, quite large.

Senator KERRY. Did you do that?

Mr. MORALES. Yes, I did it myself.

Senator KERRY. Did you fly a private plane to Panama?

Mr. MORALES. Many times.

Senator KERRY. You were met by government officials and bank security?

Mr. **Morales**. They dealt with Immigration, Customs, and as far as that was concerned they made sure that everything going from the door of the plane to the car door would be supervised and protected in case there was any problem arising coming from somewhere else, from another department different from the one that was waiting for us.

Senator **Kerry**. Is it fair to say that during the course of your career you laundered or—well, let me say you laundered millions of dollars in Panama?

Mr. **Morales**. Yes, I did.

Senator **Kerry**. Were you involved in any money laundering activities in Cuba?

Mr. **Morales**. I was taking certain amounts of money to Cuba. They charged 10 percent for the transaction, which is quite high. I took about, in the trips I made, about $400,000 or $500,000. A lot of that I left in the banks in Panama.

What I did was to use the paperwork of the Customs declaration to then be able to go somewhere else with the money that was already clean, that was laundered already.

Senator **Kerry**. Were you also involved in the transshipment of narcotics through Cuba?

Mr. **Morales**. Yes.

Senator **Kerry**. What period of time did you transship narcotics through Cuba?

Mr. **Morales**. Since 1980-81 until 1985-86, about until up to about 1 or 2 weeks before I was arrested.

Senator **Kerry**. When you say before you were arrested, you were arrested a couple of times, is that correct? You were indicated back in 1980.

When was your first indictment?

Mr. **Morales**. The first indictment was in 1982.

Senator **Kerry**. You were indicted then for what?

Mr. **Morales**. I was imprisoned on November 16, 1982, accused of conspiracy to import marijuana.

Senator **Kerry**. The charges were filed where, in what State?

Mr. **Morales**. In south Florida.

[Witness conferred with counsel.]

Mr. **Morales**. West Palm Beach.

Senator **Kerry**. Nothing came of that?

Mr. **Morales**. We were tried, and finally the Government did not have conclusive evidence, which is why they dropped the charges, and I was declared not guilty.

Senator **Kerry**. When is the next time that you were arrested?

Mr. **Morales**. After that it was in 1984, in March 1984. I was accused of the 848 of the continuing criminal enterprise also for importing and conspiracy to import marijuana.

Senator **Kerry**. Those are the charges on which you now serve time; correct?

Mr. **Morales**. Exactly, plus the charges of 1986 for conspiracy to import cocaine.

Senator **Kerry**. So, from 1980 until 1984 you were able to traffic narcotics through Cuba as well as the other places.

How were you able to get into Cuba?

Mr. **Morales**. I had my own code.

Senator **Kerry**. How did you get a code?

Mr. **Morales**. It was given by people in Cuba. When I was flying I was in the plane, and I had a certain number of Cuban registration, a Cuban registration number, and when I gave them that number the tower would check, and that was a green light so that I could land and go into Cuban territory.

Senator **Kerry**. Do you remember what the code was that you had?

Mr. **Morales**. I had two different codes: My own personal one, which I think only another pilot knew; and another one which we all used to fly over the island in order to save fuel.

The code was 1313 and 1301.

Senator **Kerry**. Which one was which? 1301 was?

Mr. **Morales**. 1301 was the one we used sometimes, and 1313 was used for other activities as well. We could use either one.

It was also the name of my raceboat. That's why we called it specifically.

Senator **Kerry**. Which, 1313?

Mr. **Morales**. It is 13.

Senator **Kerry**. That is the name of your raceboat? Is that the name of your raceboat?

Mr. **Morales**. Yes, and I also had one called "Fabachos."

Senator **Kerry**. I didn't understand that.

The **Translator**. Fabachos. He's saying the name in Spanish.

Senator **Kerry**. And the first name, so that I'm clear? The first one was 13?

Mr. **Morales**. I acquired No. 13 about 1981 or 1982. Precisely, in the month of November 1982 was the first time I used No. 13.

Senator **Kerry**. Now, how did you get these codes? Who gave them to you? How did you go about getting them?

Mr. **Morales**. Several of the codes were given to me by Cuban officials, and I say some because there were several. For example, single side band was one.

There was another code which was the plane registration code.

Senator **Kerry**. Did you just fly in and say "I want a code," or did you buy them in Miami? Where did you get a code?

Mr. **Morales**. I obtained the code. The first ones were from 1980 after the *Mariel* incident, and I did not get them directly. I obtained them through my friend, Gustavo, who had a connection or a contact in Cuba. We used it only three or four times to fly over Cuba.

Senator **Kerry**. Do you remember actually flying in and landing in Havana?

Mr. **Morales**. Oh, yes, many times. At one time I stayed in Havana for 45 days, and that's also on the public record. I had to request permission from the State Department to fly to Cuba from the court magistrate.

Senator **Kerry** Did you have to pay for your codes, or was there an agreement for which you were given the code?

Mr. **Morales**. It was only to make it possible for me to enter without having to have any problems in presenting several requests or having to wait about a month or 2 for the Cuban Embassy to grant permission or to grant a visa.

There were other possible problems which could have arisen, so this was a way to shortcut this transaction, and that's why I got the codes. I got them directly in 1984 from Cuban officials during one of my many trips to Havana.

Senator KERRY. But you already had them prior to that?

Mr. MORALES. Well, we had the one we got from Gustavo in 1980 after the *Mariel* incident. We also had it in Key West at the time.

Senator KERRY. Did the Cubans seek your assistance in drug trafficking?

Mr. MORALES. Well, I can't say they actually asked for my assistance. They offered me—well, everything actually began with a program to purchase airplanes that had been repossessed, airplanes which had violated Cuban airspace.

So, we held a meeting with Cuban Government officials in the city of Calulargo where they had many airplanes which they had captured at the drug smuggling activities, planes that I wanted to buy. They wanted to sell because they had no other use for them. It was after that that we established fairly strong ties.

Senator KERRY. Did those strong ties include the offer of a house, an island, a runway, a bank?

Mr. MORALES. Yes, the bank was included. I bought gold. I also had a house built by Brazilians. That was the best. I also had a Jeep which had been brought from Japan. They gave me just about everything which I could have had here in the United States.

Senator KERRY. Why did they do that? What was the purpose of that? What was the arrangement?

Mr. MORALES. Well, sir, after my 1984 indictment, I had the three world records for raceboating, and I was constantly appearing in newspaper headlines, especially after I had been accused of these charges and was facing a sentence of 10 years to life, and that is when those gentlemen offered me the possibility of coming to live there and of taking my organization to that island.

This was in exchange——

Senator KERRY. For your being willing to come?

Mr. MORALES. Exactly.

Senator KERRY. Now, is this the same kind of relationship that they offered Robert Vesco?

Mr. MORALES. Initially, yes, sir; but I don't think that Mr. Vesco today can walk about as freely as he did back then.

Senator KERRY. Have you ever been to Haiti?

Mr. MORALES. Many times.

Senator KERRY. Did you use Haiti was a transshipment point for drugs?

Mr. MORALES. I used the Isle of Haiti mainly as a parking lot, as a place that I would place my aircraft so they could be repaired and also so that I could leave the city of Port-au-Prince without having to do the paperwork necessary to get permission to fly an aircraft over the island, so I could leave the island without having to follow the flight plan.

You know what I mean by this? When you prepare a flight plan, the control tower not only of Haiti but Jamaica or any other Caribbean island has to send the record to the control tower in the city of Miami. When they send the record to the city of Miami, the surveillance authorities can then see that one has left Haiti and has seen what the place of destination is so we could do that without having a flight plan.

Senator **Kerry**. Do you know whether or not Haiti is a major transshipment point for drugs?

Mr. **Morales**. Lately we have seen in the papers that Haiti——

Senator **Kerry**. I don't want to ask you about the papers or the reports. I just want to know from your knowledge when you were trafficking drugs.

Mr. **Morales**. From my own knowledge, from what I did?

Senator **Kerry**. Did you transship through them?

Mr. **Morales**. Yes, I did.

Senator **Kerry**. Do you know if others were transshipping through Haiti?

Mr. **Morales**. Yes. It is something which is done fairly commonly, Senator.

Senator **Kerry**. Was a plane that you kept at the airport in Haiti a plane you later contributed to the Contra effort?

Mr. **Morales**. Well, I will repeat that we used Haiti as a parking lot. That particular airplane was a DC-3, and we had parked it there at the airport. It is a fairly large international airport, and we kept that DC-3 airplane there in Haiti, and at the time I was using it together with other aircraft which the Government of Haiti and especially the Duvallier family.

Senator **Kerry**. Now, at some point in the 1980's were you approached by people you knew to be part of the Contra organization?

Just answer "yes" or "no."

Mr. **Morales**. Yes.

Senator **Kerry**. Was this in Miami?

Mr. **Morales**. Yes, it was.

Senator **Kerry**. Was Marta Healey one of those people that you had some contact with with respect to Contras?

Mr. **Morales**. Yes.

Senator **Kerry**. Had Marta Healey been trying to get you to help support the Contra effort for some time?

Mr. **Morales**. Yes.

Senator **Kerry**. Over what period of time had she been appealing to you?

Mr. **Morales**. For a few years she had been requesting assistance for the Contras.

Senator **Kerry**. Now, at some time did a meeting take place between you and some representatives of the Contra movement?

Mr. **Morales**. We had a meeting in 1984 after my second arrest. It took place in my office.

Senator **Kerry**. Now, who attended that meeting, do you remember?

Mr. **Morales**. There were three gentlemen present, one called Adolfo Chamorro.

Senator **Kerry**. Is that also Adolfo Popo Chamorro?

Mr. **Morales**. Yes. He's also known as Popo Chamorro, and he introduced himself as the military head of the Sandanista southern movement.

Senator **Kerry**. The anti-Sandanista?

Mr. **Morales**. Yes, that is correct, the revolutionaries. Marcos Aguado was also there, and he introduced himself as the chief of the air force of the southern group from Nicaragua; and also Mr. Cesar Octaviano, who said he was the political head of the Contra group from the south of Nicaragua.

Senator **Kerry**. Now, did you also meet at some time at Marta Healey's house together?

Mr. **Morales**. Yes, several times.

Senator **Kerry**. Was that a continuation of this conversation?

Mr. **Morales**. After the first meeting we met many times, a fair number of times. There was one meeting after another.

Senator **Kerry**. Is this in the course of the same period of time, the same days?

Mr. **Morales**. Yes, it was. I could say that it was the month of April or May and it lasted until November.

Senator **Kerry**. What were you discussing in the course of this meeting?

Mr. **Morales**. During the first meeting these gentlemen approached me seeking assistance, financial assistance, military assistance. I say military because what they needed was weapons, drugs, medicine.

Senator **Kerry**. Do you remember what period of time this was? When was this, sometime in 1984?

Mr. **Morales**. It was about the month of April, after I was arrested. I can't say precisely what day it was.

Senator **Kerry**. I'm not asking precisely. Just basically it was in 1984?

Mr. **Morales**. It must have been about April or May, in the summer exactly.

Senator **Kerry**. You said the subject of the conversation was military assistance, money? Was there an airplane specifically that was discussed?

Mr. **Morales**. They urgently needed to get some merchandise out of Miami. This merchandise was mainly fabric for uniforms, for fatigue uniforms. They were not the uniforms themselves. It was just the fabric which was to be used to make the uniform.

And there was disagreement as to why so much money was going to be spent on such an operation. They said that they had to take this large amount of fabric and give it to a company which could then start making the pants and shirts.

In addition to that, there was other cargo; but there was also a need to go to El Salvador. There were 40,000 pounds of weapons or war supplies which were urgently needed because the people in the south of Nicaragua urgently needed to get it.

Senator **Kerry**. What did you agree to do in the course of these meetings? Did you agree to do anything?

Mr. **Morales**. At the meeting there were diverging points of view. They understood my personal problems very well.

Senator **Kerry**. Let me try to be precise here. I want to try to keep this narrow and to the point so we understand exactly where we are going.

At this time you had been indicted; correct?

Mr. **Morales**. Yes. I was getting to that.

Senator **Kerry**. You had a problem?

Mr. **Morales**. Exactly.

Senator **Kerry**. You were trying to get your problem resolved; is that correct?

Mr. **Morales**. Yes, indeed.

Senator **Kerry**. Did you raise the issue of your problem with them at the meeting?

Mr. **Morales**. That was the main issue discussed at the meeting.

Senator **Kerry**. Why should you raise this with them? What could they possibly do about your problem?

Mr. **Morales**. Well, during our conversation they told me that they were CIA agents. Two of them said they were, Cesar Octaviano and Marcos Aguado.

Senator **Kerry**. Marcos Aguado and Octaviano Cesar said that. Did you know anything about either of them at that time?

Mr. **Morales**. Yes.

Senator **Kerry**. Who did you know something about?

Mr. **Morales**. Do you mean about belonging to the intelligence service?

Senator **Kerry**. About Octaviano Cesar or Marcos Aguado; did you know anything about them?

Mr. **Morales**. Yes.

Senator **Kerry**. What did you know?

Mr. **Morales**. Yes, I had heard about them from Marta Healey.

Senator **Kerry**. Marta Healey?

Mr. **Morales**. Yes.

Senator **Kerry**. What had you heard about them?

Mr. **Morales**. I knew that they belonged to the Central Intelligence Agency and not only Marta Healey also knew this through several pilots, who at the time worked for me and who had also been directly involved in operations with the Contras flying aircraft.

They, as a matter of fact, were very close friends of these gentlemen, so they already had very specific previous knowledge of this.

Senator **Kerry**. Which you knew as you met with them?

Mr. **Morales**. Yes, of course.

Senator **Kerry**. Now, they were discussing getting assistance from you to transport weapons or transport these goods, the cloth, fabric, and other things, and you were discussing how to get help for your problem. Is that accurate?

Mr. **Morales**. Yes, it is.

Senator **Kerry**. Is that precisely what happened?

Mr. **Morales**. Yes, it is precisely what was discussed at the meeting.

Senator **Kerry**. Well, was anything offered to you specifically?

Mr. **Morales**. At that very meeting there was nothing very specific or very detailed that was agreed upon. They said that because they had personal knowledge of Washington that they perhaps could do something about my indictment.

After that meeting there were other meetings, during which we discussed details. Each one of us specified their objectives, and I said what I would do, and they said what they would do in exchange for the effort.

Senator **Kerry**. What were their objectives?

Mr. **Morales**. They wanted airplanes; they wanted money; they wanted boats. There was a list of items which the Contras needed at the time.

Senator **Kerry**. What were your objectives?

Mr. **Morales**. In order to carry out their objectives, I needed pilots and, moreover, I needed them to help me with my legal situation.

Senator **Kerry**. So, you entered into a bargaining essentially. You would each try to help each other?

Mr. **Morales**. Yes, that is what happened.

Senator **Kerry**. Now, did that at a point subsequently or thereafter develop into your ability to be able to get some drugs?

Mr. **Morales**. Well, could you please repeat the question, Senator?

Senator **Kerry**. Was your objective in this to get the ability to bring some drugs in, or was your objective just to deal with your problem?

Mr. **Morales**. No. The objective of this meeting was that I should be able to help them with their needs. Drugs were included here, of course, and that they in exchange would help me with my objective, which was solving my indictment; that is, trying to do something to improve my legal situation at the time.

Senator **Kerry**. I think we are going to take about a 10-minute recess here.

We will recess for 10 minutes.

[A brief recess was taken.]

Senator **Kerry**. The hearing will come to order. We will resume.

Mr. Morales, I want to remind you that you continue to be under the oath.

Can you hear the translation?

Mr. **Morales**. No, I'm listening to you directly, Senator.

Senator **Kerry**. I wanted to remind Mr. Morales that he continues under oath.

Mr. **Morales**. Yes.

Senator **Kerry**. Now, Mr. Morales, before we broke for the recess you tesified that you entered into an arrangement with Octaviano Cesar, Popo Chamorro, and Marcos Aguado, who were present at a meeting with Marta Healey, and the meeting took place in several locations. This went on over a period of days, by which you agreed to help them and they agreed to help you.

Is that accurate?

Mr. **Morales**. Yes, it is.

Senator **Kerry**. This is sometime in the early spring or early summer, late spring. As a result of that, you undertook some flights; is that accurate?

Mr. **Morales**. I would like to start from the beginning, if I may.

During the time the meetings were taking place, we went to a house to look at some weapons.

Senator **Kerry**. In Miami?

Mr. **Morales**. Yes, in Miami, in southwest. These were the weapons which I was to take on my airplane to Costa Rica.

Initially, it was decided Mr. Marcos Aguado was to be the one who would fly the weapons. There was a last-minute change, and this change resulted from the fact that we would have to return with a different shipment.

As a result, Marcos Aguado said to me direct that we perhaps would not be able to do that, that he as a CIA pilot would not be able to run the risk that the trip fail and that he would be caught with the drugs.

Popo Chamorro told me not to worry, that he would discuss this directly, and the same thing for Octaviano.

Other meetings took place, and the result was that they decided to bring a pilot from Costa Rica; but the urgency of this was such—and I could not fly because I had just been indicted—that Gary Betzner had to be brought in. He was the best qualified person to do this.

Senator Kerry. Who was this?

Mr. Morales. Gary Betzner.

Senator Kerry. So, this is when Gary Betzner became involved in the flight of weapons to Costa Rica?

Mr. Morales. Yes, it was.

There were many phone calls to Mr. Betzner's home. He was somewhat fearful because he had just had a flight within the United States fail, so it was not a good time; that an informant had leaked information in connection with a flight, and that is why he was very upset.

Rather, he was absent from the house. I spoke with him, and I told him what he was to do. Marcos Aguado gave me a paper which had a description of the two airports where the weapons would land.

Senator Kerry. Do you know where those airports were?

Mr. Morales. One was—and it is well known. It is on the Costa Rican aviation map. It is Mr. John Hull's ranch.

Senator Kerry. Let me just say for the record that that is the same aviation map that Gary Betzner identified this morning as the location of the strip at which he landed.

Mr. Morales. I don't know. I didn't see the map this morning.

Senator Kerry. No, I am just saying for the record, Mr. Morales, that that is the same one. I understand you have not seen the map.

Mr. Morales. So, there were many meetings in connection with this. If I am not mistaken, Popo flew to San Jose, and he gave me code 153 which was the one which the Contras were using at the time. I think they were known as the Eagle or the Condor. It was one of the two birds which was used as a code name.

And I then gave Betzner the paper.

Senator Kerry. That showed him where to go?

Mr. Morales. Yes, of course.

Senator Kerry. So, did Betzner fly one of your airplanes loaded with weapons down to Costa Rica sometime in the summer of 1984? Is that accurate?

Mr. Morales. Yes.

Senator Kerry. Who loaded the weapons onto your plane?

Mr. Morales. I did.

Senator Kerry. What airport was this?

Mr. Morales. We left from Executive International Airport in Fort Lauderdale. I didn't feel comfortable about leaving from the Opa-locka Airport because, as I said, I had recently been arrested and a million eyes were upon me, and I felt more comfortable leaving from that airport, though I was entirely sure that there would be no problems.

I had been assured of that, that there would be no problems in loading the weapons, since Marcos Aguado was there with us.

Senator KERRY. Now, who told you there would be no problems?

Mr. MORALES. Marcos Aguado himself. He said it during the first meeting which took place in my office.

Senator KERRY. Did you load these weapons in daylight?

Mr. MORALES. Yes.

Senator KERRY. Right in Fort Lauderdale?

Mr. MORALES. Yes.

Senator KERRY. Did you have any permits to transport weapons out of the country?

Mr. MORALES. I didn't think I needed any such permits because the mission was an authorized mission, one could say. That was my understanding.

Senator KERRY. Where did you get the weapons?

Mr. MORALES. I bought some at a gunshop in southwest Miami. There is a gunshop on 8th Street. Others were brought in a white van. Some were in very bad condition.

Senator KERRY. What kind of weapons were loaded on?

Mr. MORALES. RF-18, M-16, many shotguns, some rifles, 30/30 telescopic sight. Some were in very bad condition. Some were even missing the clips.

These were not the same weapons we had seen when we went after the meeting with the Contra leaders. I called Mr. Popo Chamorro over the phone and was not able—and I spoke to him through the single side band, and I told him of the problem. And since everything was arranged, we had no choice but to fly.

I spoke with Mr. Betzner and I told him of the situation, and I said I needed his assistance with this since all other pilots having worked with me were incarcerated and we could not use them for that reason.

Senator KERRY. Let me try to just shorten this up a little bit.

Did Gary Betzner then take off from Fort Lauderdale in that plane?

Mr. MORALES. Yes, he did.

Senator KERRY. Who flew with him?

Mr. MORALES. A copilot known as Tito.

Senator KERRY. Where was Tito from?

Mr. MORALES. Colombia.

Senator KERRY. Did he fly with you normally?

Mr. MORALES. Since 1980 or 1981; yes. He was one of those who flew the most in our operations with the Contras as a copilot and as a guard for the merchandise.

Senator KERRY. So that you flew the weapons down to the Costa Rica ranch; Gary Betzner did. Is that correct?

Mr. MORALES. Yes.

Senator KERRY. At some time, did Gary Betzner come back to you with that airplane?

Mr. MORALES. The next day. I was expecting him or I was supposed to expect him at the airport, and he landed at a different airport.

Senator **Kerry**. Why did he land at a different airport?

Mr. **Morales**. He hadn't received any security from the organization, so he was fearful about landing in the United States. He thought it would be best to land in the Bahamas so as not to violate any United States laws.

So, they got organized in northern Florida, and I think that's someone helped him there. That was the first flight.

Senator **Kerry**. Now, when you say the "first flight," did you know what he was going to come back with in that airplane?

Mr. **Morales**. Yes, of course, I did.

Senator **Kerry**. What were you expecting to have come back?

Mr. **Morales**. About 400 or so kilograms of cocaine.

Senator **Kerry**. Did you know where he was going to pick up those kilograms of cocaine?

Mr. **Morales**. It had been arranged. He had the map and the coordinates, and the airstrip appears on the Costa Rican air map. It is Mr. John Hull's ranch.

Senator **Kerry**. You knew that before he left? That was part of the plan that you conveyed to Mr. Betzner?

Mr. **Morales**. Yes, of course. We had to know where to land before we left.

Senator **Kerry**. Did those drugs, those kilos of cocaine, in fact come back into the United States on your airplane with Gary Betzner?

Mr. **Morales**. Yes.

Senator **Kerry**. They came into your possession for distribution?

Mr. **Morales**. No, not for my distribution. Tito gave the van to the person who has been indicated, and I understand that Betzner also took his cut from 20 to 30 kilos for his part. We took absolutely nothing.

After that, Betzner was concerned because they were already looking for him because an informant had already leaked information about the previous flight. So, he was reluctant to undertake another flight.

Senator **Kerry**. But he did undertake another flight; correct?

Mr. **Morales**. Yes. About 2 weeks after that; maybe not even 2 weeks, he did, and we loaded another shipment of weapons on the plane. I bought them in a gunshop in Miami.

Senator **Kerry**. What airport did that flight leave?

Mr. **Morales**. From my airport, Opa-locka.

Senator **Kerry**. Your airport?

Mr. **Morales**. Yes. I loaded the guns myself.

Senator **Kerry**. Was this a Panther this time?

Mr. **Morales**. This was November 118 Whiskey.

Senator **Kerry**. That was November 811 Hotel Whiskey?

Mr. **Morales**. Hotel Whiskey.

Most of the weapons had been purchased by me.

Then there was a somewhat confusing and peculiar situation as a result of that. I realized that the person I was buying the weapons from had already told one of the local agencies about what I was doing, who I was doing it with, and so I felt I had been trapped once again.

This man was not only a double agent, but he was also an informant for one of the local Miami agencies. So, I was caught. So, I had no other option but to continue ahead, since I was being protected by Marcos Aguado, Octaviano, and Popo. I had no choice but to continue.

Senator **Kerry**. You believed you were being protected; correct?

Mr. **Morales**. Yes. Until now, I had believed so.

Senator **Kerry**. Let me just finish here for a minute.

Did that second flight take off from your airport with weapons that you had purchased in order to go to Costa Rica?

Mr. **Morales**. Yes.

Senator **Kerry**. Was Gary Betzner also flying that airplane?

Mr. **Morales**. He was flying that airplane; yes, he was.

Senator **Kerry**. Was Tito the copilot again?

Mr. **Morales**. Yes, Tito was the copilot; but I repeat, on most flights Tito was the copilot.

Senator **Kerry**. Did that airplane, November 811 Hotel Whiskey, go to Costa Rica and again land at a strip next to John Hull's ranch?

Mr. **Morales**. I don't know exactly that it was supposed to land on John Hull's ranch, but I think a prior agreement had been reached.

We also had a first choice and then a second choice, as we say, so if something happened with the first choice when we need a backup. I understood that it landed at the second choice.

Senator **Kerry**. Did you personally understand and know from your arrangement that narcotics were going to be loaded onto that airplane when the guns were offloaded and brought back to Florida?

Mr. **Morales**. Yes, definitely.

Senator **Kerry**. Were narcotics brought back in that airplane?

Mr. **Morales**. Yes, definitely.

Senator **Kerry**. Do you remember how much and what kind?

Mr. **Morales**. On that flight there was a problem which is somewhat difficult to describe. There was a disagreement or discrepancy, rather, as to the amount, because 40 kilos of cocaine were lost. I did not want to become involved in this because I was not getting any financial benefit from it.

Betzner took his share, and he was very upset about what happened. It was about 460 kilograms of cocaine, once again, and he did land at Opa-locka Airport that time right in front of my office.

Senator **Kerry**. Were you there when he came back?

Mr. **Morales**. Yes, I was there.

Senator **Kerry**. Did you help offload the narcotics?

Mr. **Morales**. No, sir.

Senator **Kerry**. You saw it?

Mr. **Morales**. I saw the plane landing, and I was watching them because they had taken it out of the back door. The plane would have tilted, and we had to be careful about that.

Betzner then left with his share, and the merchandise was handed over to the customer.

And in a few days we held another meeting with them, a meeting which was held at one of the hotels behind the airport. We had no pilot, and it seemed that they had not made any profits from this since they were still needing money. So, we placed a call to Costa Rica.

Senator KERRY. Who was still needing money?

Mr. MORALES. The Contras.

Senator KERRY. Who communicated that to you?

Mr. MORALES. Octaviano. And a call was placed to Costa Rica, and two pilots were sent.

I understand, because the pilots told me this, that when the Embassy was closed Popo went with the passport and the plane was leaving the next morning at 6 a.m., and at that time he already had a multiple visa for entry into the United States.

So, this was further proof in my eyes that they were being protected by these individuals, by these agents.

Senator KERRY. Did you get additional pilots?

Mr. MORALES. Pardon?

Senator KERRY. Did you get additional pilots?

Mr. MORALES. After these two? I trained about eight pilots in total for the Contras.

Senator KERRY. Did you train Geraldo Duran?

Mr. MORALES. Not personally; no, sir. He was trained by the chief of the pilots of Aviation Activities.

Senator KERRY. Did Geraldo Duran run drugs for you?

Mr. MORALES. Yes. It is in the public record. It is in the indictment, as a matter of fact.

Senator KERRY. Where is Duran currently?

Mr. MORALES. The last I heard he was incarcerated on the same charges brought against me.

After that meeting we made a training flight to the Bahamas.

Senator KERRY. Let me come back, because I do not think it is clear and I want to try to keep the sequence going here.

There were these two flights that Gary Betzner took?

Mr. MORALES. Yes, two flights.

Senator KERRY. Did Gary Betzner also fly some weapons to Ilopango Base in another plane?

Mr. MORALES. That was in 1983, I believe.

It was a favor, you could say, to my Colombian friends. I will remember that we discussed who was to fly.

Senator KERRY. Which Colombian friend?

Mr. MORALES. Gustavo.

Senator KERRY. This is Gustavo—what is Gustavo's first name, full name?

Mr. MORALES. Gustavo Velez.

Senator KERRY. Did Marta Healey and Gary Betzner both fly this airplane to Ilopango?

Mr. MORALES. They left from the Opa-locka Airport.

Senator KERRY. With weapons?

Mr. MORALES. At the time I didn't know exactly who the weapons were for. As I said, I did it mainly as a favor.

Senator KERRY. This is 1983 now? This is preindictment?

Mr. MORALES. Yes.

Senator KERRY. Did that same plane go from Ilopango to Colombia and pick up drugs?

Mr. MORALES. That plane went from Opa-locka. It went to El Salvador, I was told, and we had argued whether it should be El Salvador or Costa Rica.

But from then it went to La Guajita.

Senator **Kerry**. Let me slow you down.

It unloaded weapons in Ilopango; correct?

Mr. **Morales**. Yes.

Senator **Kerry**. Then it left and went where?

Mr. **Morales**. To La Guajita in Colombia.

Senator **Kerry**. It picked up a load of marijuana; correct?

Mr. **Morales**. 5,800 pounds of marijuana. That is also in the public record.

Senator **Kerry**. It flew from there to the Bahamas?

Mr. **Morales**. Yes, it did.

I waited for the plane in Great Harbor in the Bahamas.

Senator **Kerry**. Did you use Great Harbor a great deal for narcotics offloading?

Mr. **Morales**. I was introduced to it by Luis Garcia Kojak and Lopez, since they were acting as informants for one of the local Miami agencies since 1980.

Senator **Kerry**. Let me suspend for 1 minute here.

[Pause.]

Mr. **Yavitz**. May I just point out to the committee that most of the information that George is providing with the exclusion of that part dealing with the Contras is in the record in his criminal cases that he had, and he does not want it to appear that he is informing against the activities which he had been involved in.

All of this has been tried or produced in the court indictments against him, and all of the people that are basically mentioned with the exception of the Contra items were already presented in the South Florida District Court cases.

Senator **Kerry**. Let me just assist you with respect to the record so people understand what is happening here.

I can well understand why he is hesitant to go with new people who are indicted and to create new problems for himself and so forth. We all understand that.

Yes, those things which apply to his current indictment are part of the court record, but they are also essential obviously to the telling of a larger story, and they go to the question of the truth of his testimony and so forth.

What has not been part of the public record ever before with the exception of before this committee is those parts of those same activities as they relate to the Contras, and his involvement with the Costa Rica flights and the southern network, the narcotics coming back in, is obviously beyond that. I recognize that.

Mr. **Yavitz**. He was concerned because of his own reputation.

Senator **Kerry**. I understand, and we are not going to put him in a position of jeopardy with respect to that.

Mr. **Morales**. If I may interrupt you for a second, Senator, please. If I may interrupt you for a second.

As regards the Contras, the records show, and I will later discuss this further, they show that there were three or four flights which the Miami agencies knew about, since I was working with informants from the Miami agencies without knowing that they were informants.

Senator **Kerry**. This is interesting.

What you are saying is because informants were part of that operation, that they were aware of these flights to Costa Rica?

Mr. **Morales**. Yes, of course.

Senator **Kerry**. There should be records, therefore, of those flights or some knowledge thereof; is that accurate?

Which agencies are we talking about?

Mr. **Morales**. Well, the DEA and the FBI.

I will be even more explicit. In 1985 after one flight for the Contras, one of the informants who at the time I did not know was an informant told me that he had been present during a conversation between Jose Enrique Lopez, an informant, and an agent of the Miami agencies, during which he said he had heard with details about one of our shipments, a shipment made on the first of 1985.

This is one of the reasons which has led me to believe that I was very well protected. Otherwise, one of these agencies would have intervened.

I had been told that the FBI knew of the fact that I was purchasing weapons for the Contras in Miami, so there were several agencies who were already informed of my activities for the Contras.

Senator **Kerry**. Was it not true that there was a camera at Opalocka that was watching your hangar and that you knew that?

Mr. **Morales**. Yes, at all times. We were hooked up to a very sophisticated system, perhaps more sophisticated than those used by the Miami agencies, and we knew exactly what was happening around us.

I knew of the 1984 indictment about 7 months before it actually happened, and I got this from various sources; that is, from the Central Intelligence Agency agents working with us and other private sources which we had at the time.

So, what I'm trying to tell you, sir, with this is that I have more than enough proof, direct and clear proof of what I'm saying.

Most of these individuals who worked with the agencies already knew of this through the informants who were working with me at the time.

Furthermore, early in 1985 a letter was sent to the assistant attorney general in Miami.

Senator **Kerry**. Let me just insert here into the record also that I have had a conversation with one of Mr. Morales' early attorneys in this matter, who confirmed to me, released from any privileged restrictions as counsel by Mr. Morales, that in fact contemporaneously when he was in jail initially this is exactly what was related to him as counsel then about his expectations about what was supposed to happen and that he was requested to contact the intelligence community to find out why he was in fact behind bars.

Mr. Morales, at some point in 1984 after you entered into this relationship with Marcos Aguado and Octaviano Cesar and Popo Chamorro, et cetera, did you have occasion to take a training flight with them to the Bahamas?

Do you recall flying to the Bahamas?

Mr. **Morales**. There were several training flights to the Bahamas. There was one specifically which I recall because we brought back large sums of money during that trip. I believe I was also accompanied by all the Contra leaders.

[Pause.]

Senator **Kerry**. Now, I just want to get this part in because I think it is the heart of what remains of your testimony.

You flew with Marcos Aguado, Popo Chamorro—Mr. Morales, let me just ascertain this again.

You flew to Miami in one of your airplanes with Marcos Aguado, Popo Chamorro, Octaviano Cesar and yourself; is that correct?

Mr. **Morales**. Yes, it is.

Senator **Kerry**. During that flight did you turn over to them in checks two very large sums of money?

Mr. **Morales**. Yes.

Senator **Kerry**. Was there cash of $165,000 and a check for $235,000, for a total of $400,000?

Mr. **Morales**. Yes, but I think it was the opposite. It was $235,000. I think it was the opposite $235,000 in cash and $165,000 in the form of a check. I can't recall exactly.

Senator **Kerry**. Let me show you. I have the Customs form here filled out by Octaviano Cesar and listing his passport, a hotel in Miami for his address, and on it is a signature, October 13, 1984, declared amount of money on this Customs form, which is a form 4790, is $165,000 cash. Then it says check, $235,000.

It may be different. Do you want to take a look at that, or do you have a copy of it?

Mr. **Morales**. I have a copy.

Senator **Kerry**. It may be that the number was different. She may have marked it the wrong way on the form, so it is not critical. I am just trying to get your best recollection.

Mr. **Morales**. This is correct, Senator.

Senator **Kerry**. It is correct?

Mr. **Morales**. Yes, it is.

Senator **Kerry**. So, you recall, in fact, with these people in the plane transferring to them—and this is the Customs form which was filled out for you to bring this $400,000 in; is that correct?

Mr. **Morales**. Yes. We brought the $400,000 from the Bahamas.

Senator **Kerry**. Did you give some of that money—was that money for them to go to Eden Pastora and the front for the Contras?

Mr. **Morales**. Yes, it was.

Senator **Kerry**. This was drug money, your money from drug trafficking?

Mr. **Morales**. Yes, it was drug money.

Senator **Kerry**. I am going to place this in the record.

[The information referred to appears in the appendix.]

Mr. **Morales**. I would like to add something, if I may.

If I'm not mistaken, part of this money was used to purchase an airplane which was later given to the Contras. I'm not sure, but I believe so.

Senator **Kerry**. Now, over the course of time as you were trying to help yourself and working with these people, did you give cash to them on occasion?

Mr. **Morales**. Quite a lot.

Senator **Kerry**. Did you give this cash to them in Miami or in Costa Rica? Where?

Mr. **Morales**. I gave them the money in cash in Miami.

Senator **Kerry**. How much money in cash do you recall turning over to this operation?

Mr. **Morales**. It's difficult to tell because in this type of business the most important thing is not to have any kind of records, but I'm almost sure it was about in cash, about $4 or $5 million in cash.

Senator **Kerry**. Over what period of time?

Mr. **Morales**. From the first meeting we had until 1985, December 1985, something like that, November, December, I think I sent $200,000 for one specific thing that they had to do.

Senator **Kerry**. At one time, you mean, $200,000?

Mr. **Morales**. Yes. It was toward the end of 1985. Before that, that is before those $200,000, we had also had quite a big loss for which there are also public records of $123,000 in cash which we lost in the Bahamas because they took too long to pick up that money.

Senator **Kerry**. But you are not counting that, then, as going to the Contras, the money you lost? You are not adding that into the total?

Mr. **Morales**. All of the money, sir, about $4 or $5 million. It's really difficult for me to remember or to know how much money it was, but I would say it was about $4 or $5 million including the $523,000 that were lost in the Bahamas.

Senator **Kerry**. You are quite sure of that? That is a lot of money. You are positive?

Mr. **Morales**. I'm positive. I, myself, counted the money. I, myself, sent them the money. I gave them the money directly. The largest amounts of money were taken by plane by the pilots, given by them.

Senator **Kerry**. That was your proceeds from drug trafficking?

Mr. **Morales**. Yes and no.

Senator **Kerry**. When you say "No," explain the "no."

Mr. **Morales**. At that time the aviation business was quite good. Frankly, there was money for the Contras that did not come directly from the drugs, too.

Senator **Kerry**. Well, give me a breakdown. How much of it came from drugs?

Mr. **Morales**. Around $100,000, maybe a bit more. Maybe not so much. Around $100,000.

I don't want to really go into details and tell you what the exact sum was.

Senator **Kerry**. Now, on one occasion you gave $50,000. Is that accurate?

Mr. **Morales**. That was one of the last times I saw Mr. Popo Chamorro. After then I gave him $10,000 or $15,000 cash which he needed for gasoline for a DC-4 or a DC-6 for some cargo he had. That was the approach that he made.

Senator **Kerry**. Mr. Morales, I am confused here, and I want to try to clarify something.

Most of the money that you gave, I believe you told me previously and you testified previously, was the proceeds of the narcotics traffic; is that accurate?

Mr. **Morales**. Yes.

Senator **Kerry**. Most of the money?

Mr. **Morales**. Yes, a lot of it.

Senator KERRY. So, when you say the $100,000, was that $100,000 from the airplane business?

Mr. MORALES. The airplane business.

Senator KERRY. The rest of it was narcotics?

Mr. MORALES. Exactly.

Senator KERRY. I just wanted to clarify that. I was unsure.

Just 1 minute, if I can.

[Pause.]

Senator KERRY. Let me just ask you, Mr. Morales, November 666, is that an airplane that you remember?

Mr. MORALES. 666, that is the famous plane. I'll later explain to you why it is a famous plane. That plane was of Mr. John Hull. At one time it belonged to him.

Then there was a discussion——

Senator KERRY. Is this the Beechcraft Baron?

Mr. MORALES. The Beechcraft.

Senator KERRY. Did that plane at some time fly to Miami and back down to Costa Rica?

Mr. MORALES. I understand, sir, that the first time I saw that plane, that was in June or July, summer 1983. After that, the first meeting I held in my office, Mr. Marcos Aguado emphasized that he was one of the people who in 1983, about a year before, had been together with Geraldo.

Honestly, I don't remember having seen them in 1983. I do remember the plane. I remember it perfectly.

Senator KERRY. Now, your plane was November 811; correct?

Mr. MORALES. One of them; yes.

Senator KERRY. Do you recall flying down to meet in Costa Rica with the people that you've identified? Did you fly down in December 1985 to Costa Rica to meet with Marcos Aguado and Octaviano Cesar?

Mr. MORALES. In late 1984 I flew possibly or probably twice, the first time in the Lear jet and the second time maybe I flew in that plane, but I'm not sure. I am sure that I did fly on the Lear jet.

Senator KERRY. Do you recall being there in December 1985? Is that possible?

Mr. MORALES. In December 1985? No.

Senator KERRY. You are not sure?

Mr. MORALES. No. No. This plane, November 811 Hotel Whiskey, flew in December 1985 to bring a shipment of cocaine to the United States, which is why I am now in prison.

Senator KERRY. I see. So, if I have a record here from the Minister of Transportation of Civil Aviation in Costa Rica that shows November 811 in Costa Rica in December 1985, that would be for a cocaine shipment?

Mr. MORALES. That was the fifth trip for cocaine, sir.

Senator KERRY. I am going to put this aviation record into the record as the next sequential document.

[The information referred to appears in the appendix.]

Senator KERRY. Now, I want to come back to this issue because I think there still lingers a little bit of confusion, and then I am going to wrap it up.

Mr. Morales, now you have testified that you gave several millions of dollars that was funneled to the Contras; correct?

Mr. **Morales**. Yes, sir.

Senator **Kerry**. My question to you is, Was the majority of that money mostly drug money that you delivered to the Contras?

Mr. **Morales**. I would say that about 100 percent.

Senator **Kerry**. Except for the $100,000 or so that came from your company?

Mr. **Morales**. Exactly.

Senator **Kerry**. The rest was illegal profits?

Mr. **Morales**. Yes, sir.

Senator **Kerry**. Thank you.

Now, I have one other question that is of importance to us, because we have other testimony regarding this that has been in private session and we are going to be at some point going further with it.

You were born in Colombia; correct?

Mr. **Morales**. Correct.

Senator **Kerry**. You had connections, therefore, in Colombia; is that accurate?

Mr. **Morales**. Correct.

Senator **Kerry**. You came to know the cartel in Colombia; is that correct?

Mr. **Morales**. Correct.

Senator **Kerry**. You could not do business there without that, could you?

Mr. **Morales**. Yes.

Senator **Kerry**. Is it accurate, to your knowledge, that you knew, as others did, that the cartel was supporting the Contras? Is that accurate?

Mr. **Morales**. Yes, sir.

Senator **Kerry**. Was money being funneled through Panama to support them, to your knowledge?

Mr. **Morales**. Yes.

Senator **Kerry**. Let me just make sure on this.

Are we talking about the Medellin Colombia cocaine cartel? Is that what we mean when we say "cartel"?

[Witness conferred with counsel.]

Mr. **Morales**. Yes. Yes, sir.

Senator **Kerry**. Mr. Morales, just a last few questions.

When did you first offer to come forward with this story about narcotics smuggling?

Mr. **Morales**. With the Contras? In around 1984. At the beginning of 1985 one of my lawyers, one of my lawyers but not the ones you know, sir, made a proposal to the D.A., the district attorney who was in charge of my indictment, to see if we could have some kind of plea bargain agreement.

They met with some IRS agents, some DEA agents, and the Miami prosecutor. They answered "No" because they said that if I had not continued importing drugs we might be able to reach an agreement whereby we could have a plea and I would get a lower sentence, but that they had 100-percent knowledge that I had continued with my drug trafficking activities and that for that reason they were not interested in having any kind of agreement.

After that, after my third arrest in June 1986, the Miami DEA and the Miami district attorney was interviewed by many of my lawyers; not actually just one district attorney but several of them, several of them, excuse me, to tell them about my involvement with the CIA with the Contras.

And for those meetings, there were actually four or five of them. They were held toward the end of 1986, or they told the district attorney, and what they told my lawyer was that there was a list which showed that I was voluntarily explaining my involvement with the agency, with the Central Intelligence Agency, in order to reach an agreement.

But we didn't want to make that public. If we did, that would be an embarrassment, and that was my intention; that is, not to have it done that way. Several times I tried to say that not only to the prosecutor but to several and different agencies, among them the Central Intelligence Agency.

My fervent desire was to tell about my activities in another field so as to not be imprisoned, but, of course, I had to try to look out for myself, and the answer of the Miami district attorney was that he had nothing to do with politics. He wanted a full debriefing, and he practically refused our approach.

After that, my lawyer also met with him, and she expressed our concern on several occasions. They called that a conspiracy of lies.

I exhausted all means possible, please believe me, sir, so that this would not become public.

Senator KERRY. I understand that, Mr. Morales, which is why I asked the question, and I just——

Mr. MORALES. Sir, may I interrupt?

One of the things that made me go public with this, one of the most important things was my situation between the Devil and the deep blue sea, because most of the investigation agencies were 100 percent aware of what I was doing. They knew of my involvement, so I had no choice.

Senator KERRY. Well, let me just say, Mr. Morales, that it is your perception, then, that you had a pretty difficult time getting people to listen and to follow up on this; is that accurate?

Mr. MORALES. They never wanted to listen.

Senator KERRY. Well, I just want to say for the record that my staff found that same problem, and we have all along in trying to uncover this.

I think we have told today a fairly significant and complete story with five people corroborating almost completely every detail of it, though obviously there were some discrepancies, but I think they are very small here and there as to perhaps a date or perhaps an amount.

I also want to say there are obvious reasons why certain people who testified, I think, well beyond their willingness would want to not be totally forthcoming. Both of them are incarcerated at this point and have nothing to lose except perjury charges against them by which they have a great deal more to lose.

Those who are not incarcerated clearly have various interests which are, I think, still at large.

But what is clear is from Customs forms that have been introduced, from flight manifests which we have gathered, from hotel records which we have gathered, is that these meetings took place, that these people knew each other, these people were indeed working together, and Mr. Morales is in jail because of these narcotics efforts.

Two people have very uniformly documented flights, details of an airstrip, who was there, how it came in, how it came back, and my sense is that that is documented.

I do not want to lose sight, however, of the larger picture here. This is not meant to be, nor are these hearings going to be, focused uniquely or exclusively on the Contras or on Contra efforts.

I am very mindful of the fact that this was 1984–85, and conceivably we have moved to a new period of history with respect to that effort.

But the issue here is whether or not that whole effort by which a specific foreign policy goal assumed larger than life proportions in the minds of many, gained a life of its own outside of the law, and whether or not people, in believing they were serving their Government and serving the larger interest of Washington, DC and the White House and so forth, turned their back on other large interests of this country, the criminal justice system, law enforcement itself.

It seems apparent to me as a former prosecutor, certainly I think I am convinced beyond a reasonable doubt about what was happening, and I believe that it was narcotics flowing back and forth as part of an aberration in the entire network that had been created down there; not purposeful by all, maybe not purposeful by many.

But just as General Gorman and everyone else has said, when you create a clandestine effort that can work with impunity to take weapons out of a county, that same network can use that impunity to bring other things back in.

People with a great deal to lose have testified that that is exactly what happened.

Now, there are those who still contradict us to this day. One of them is Mr. Popo Chamorro, who has been called to testify before the committee.

We have had some gorounds with him in private session. He has asked us to continue in the private session, and I want to recess briefly to find out where we stand with respect to that because I want to be totally fair and allow any and all sides to be shown here.

In addition, I do not know if Marta Healey is here. Marta Healey is under subpoena. We have discussed with her attorneys at this moment there is the potential that she may be in contempt of this committee for not appearing.

But we will review where we go with respect to her, and that matter may or may not be referred to the committee for action at the appropriate time.

So, I am going to recess for 10 minutes while we have a discussion with Mr. Chamorro and see where we are going.

We stand in recess for 10 minutes.

[A brief recess was taken.]

Senator **Kerry**. The hearing will come to order.

Counsel, would you take a seat there? If I could just ask you to identify yourself and identify your client who sits with you?

Mr. **Befeler**. My name is George Befeler. I am an attorney for Adolfo Popo Chamorro, together with counsel Lawrence Rosen.

Senator **Kerry**. The gentleman sitting to your right is Mr. Adolfo Popo Chamorro; correct?

Mr. **Befeler**. Correct.

Senator **Kerry**. Let me just state that Mr. Chamorro has been invited to testify publicly now without any prejudice at all, and he is not testifying right now. He and counsel believe that it would serve the interest of the committee and himself more.

We had a brief private session last night, and he would like to continue to work with us in private session. We have agreed. This is not to infer anything with respect to what he would say or to his position with respect to this.

At the outset of the day I stated that he denies much of what has been stated here. I do not want to be unfair in any respect, but I do want to have it as part of the record that the reason he is not tesifying today is at his and counsel's request that they think it would be more profitable to the committee and just serve better the interest of what we are trying to do to work privately.

Is that a fair statement, counsel?

Mr. **Befeler**. Yes, it is.

Senator **Kerry**. So, we will, therefore, continue in closed session with Mr. Chamorro tomorrow.

I will note that immunity has been conferred by the Federal district court on Mr. Chamorro, and we will continue to discuss matters with him in closed session tomorrow. He is welcome to testify before the public at the earliest possible convenience after we have worked adequately together.

Is that fair, counsel?

Mr. **Befeler**. That's fair.

Senator **Kerry**. Thank you very, very much. I appreciate it.

Now, before we go I want to formally call Marta Healey to come forward as a witness.

[No response.]

Senator **Kerry**. Let the record show that several notices have gone out. Attempts have been made to try to reach her. She has been formally called as a witness before this hearing, and Marta Healey has failed to appear.

We stand adjourned. We will meet in private session tomorrow, and we will announce when there will be further public sessions.

[Whereupon, at 4:55 p.m., the hearing adjourned, subject to call of the Chair.]

APPENDIX

LETTER FROM RAPHAEL G. LOPEZ

NOV 14 1986

4792

ENF-1-03-E:OE:S:M RGL

J 6956

Partially Declassified/Released on 1/28/88
under provisions of E.O. 12356
by B. Reger, National Security Council

Mr. Ralph D. Martin
Department of Justice
315 9th Street, N.W.
Public Integrity Attorney
Washington, D.C. 20530

Dear Mr. Martin:

This is to confirm our telephone conversation of November 10, 1986, regarding the results of our initial inquiry into U.S. Customs Service criminal investigations of alleged violations of the Arms Export Control Act and the Nicaragua Sanctions as they relate to certain persons identified in Senator Kerry's report.

As explained, the data provided in Senator Kerry's report was cross checked with the criminal indices of the Treasury Enforcement Communications System (TECS), and Headquarters files. In addition, Customs Offices of Enforcement in Miami and Atlanta were contacted. For your information TECS records are indexed by name and other identifying data. TECS query of the names furnished, resulted in 21 matches. There were, however, numerous instances in which matches could not be refined as there were too many records in the universe. For example, the name John Hull resulted in 293 possible matches. Consequently, without further identifying data we are not able to determine if a record exists for some of the persons named.

[redacted]ing the Customs investigation into an alleged viol f the Arms Export Control Act by Southern Air Tran h their exportation to Central America of a C-123 airc he Special Agent in Charge, Miami, has initiated an inves ion into the matter. The investigation hinges on a determination as to the licensability of the aircraft, and this matter has been referred to the Department of State, Office of Munitions Control. This investigation is being conducted with the Special Agent in Charge, Federal Bureau of Investigation, Miami, Florida, who has assumed investigative jurisdiction over possible violations of the Neutrality Statutes and the Boland Amendment. The FBI therefore would best be able to respond to your question regarding ownership and financing of the aircraft. Customs has, however, determined that the aircraft in question was sold by Doan Helicopter in March 1986, for $475,000, to Southern Air Transport acting on behalf of Udall Research Corp.

Th[redacted] have been multiple investigations of Thomas Posey and the Ci[redacted]n Military Assistance group.

Finally, we identified only one instance in which a Customs office reported an allegation that U.S. Government Officials were funneling funds to the Contras. The report of investigation contained an unsubstantiated allegation that unnamed Central Intelligence Agency employees are passing funds to General Singlaub, USA, Retired, for use in acquiring material for the Contras.

BEST AVAILABLE COPY

[illegible] in the process of obtaining the data you requested in our c[illegible]ation: the identity of the various AUSA'S handling these [illegible]; the reports regarding Generals Singlaub and Secord; and w[illegible] if in the Southern Air Transport investigation, Customs uncovers any evidence indicative of high level government official involvement. This information will be forwarded to you in the near future.

Sincerely,

Raphael G. Lopez

PREPARED STATEMENT OF AMBASSADOR FRANCIS J. McNEIL

Some matters dealt here were at one time classified. At least in general they are now on the public record, declassified in the Iran Contra hearings, released by the Executive itself, or declassified in other Congressional hearings, such as those of the Senate Foreign Relations Committee for which this was prepared. Nonetheless, I believe my testimony should be reviewed for matters which may remain properly classified.

What follows are recollections. To make them more precise would require access to written records. While I have maintained my clearances, since I quit the Foreign Service in February of 1987 I have refrained from reading classified materials relating to Latin America in order to avoid any appearance of impropriety while writing a book on Central America.

For the record, I had intermittent exposure to the narcotics issue since mid-1977, when I became Deputy Assistant Secretary of State for Inter-American Affairs, under Assistant Secretary of State Terrance Todman, with responsibilities for South America. In the fall of 1978, I became Senior Inspector in the office of the Inspector General of the Department of State and in that capacity led teams in three inspections where the narcotics issue was important, those of the American Embassy in Rangoon, the American Embassy in Bangkok and the Bureau of International Narcotics Matters (INM) of the Department of State. For a brief period, before going to Costa Rica as Ambassador in July of 1980, I also served as Deputy Assistant Secretary of State for East Asian Affairs, under Assistant Secretary Richard Holbrooke. I left Costa Rica in July of 1983 and after a sabbatical returned to Washington in the summer of 1984 to serve as senior Deputy Assistant Secretary of State for Intelligence and Research (INR), first under Director Hugh Montgomery and then under Assistant Secretary Morton Abramowitz.

Strategy and Resources

In looking at the failure, by now almost universally acknowledged, of the United States to deal with the narcotics plague, it is necessary to deal with several distinct issues, the lack of a national priority, the lack of a

BEST AVAILABLE COPY

strategy, and the lack of resources. That some government officials looked away when they thought vigorous pursuit of narcotics trafficking conflicted with national security priorities reflects the lack of national resolve.

I do not mean to absolve from accountability those for whom the Nicaraguan obsession was so strong as to cause deviation in their moral compasses. An intelligence or military relationship should not become a license for foreigners to commit major crimes in the United States. But something similar happened during Vietnam and it will happen again unless the United States treats narcotics as a major national security threat. It is certainly a greater threat than the small Central American country which has so dominated our relationship with an entire continent.

Those working on the narcotics in the federal government, the occasional bad apple or incompetent notwithstanding, have tried hard. There have been individual successes, in enforcement at home and abroad, in education and threatment, in overseas programs of the Department of State, but the lack of national priority, strategy and resources has simply overwhelmed the efforts of those dealing with the problem.

The Committee's hearings have played a striking role in educating the American people to the magnitude of the drug epidemic, and, along with the indictment of General Noriega, have galvanized the Executive Branch to move, however tardily, to deal with a specific problem, the narco-military government of Panama. But there is still no strategy and funds are insufficient even if the United States had a strategy, which it does not..

The supply side approach, interdict it abroad, at the borders, or get the suppliers here, has failed. According to a Rand Corporation study, three quarters of our monies go to enforcement, and where are we?. Blaming foreigners may be good politics, but it is bad policy. In turn, foreigners blame the United States for its insatiable consumption, and argue that a demand side focus, education and treatment, will do the job. There is ample blame for everyone. Blaming each other guarantees that the problem will get worse, for them and for us.

Consider that none of the singular remedies proposed over the years for striking at the source have produced much results.

Crop substitution programs showed experimental promise in Thailand, but have not really worked there or anywhere else by themselves. In Turkey, dramatic results were achieved by combining approaches, enforcement, legalized poppy cultivation for medicinal uses, (Turkey is one of the few countries so permitted by the UN Single Convention on Narcotic Drugs) and crop substitution. In Peru, someone, the cartel or Sendero Luminoso, massacred Peruvians working on an AID sponsored crop substitution experiment, making crop substitution there too dangerous. At all events, in the Andes, a peasant makes more money cultivating coca than he can make today with any conceivable substitute crop.

The economics of buy out programs are unfavorable. They become agricultural subsidies in which everyone wants to get on board, either to be paid for not growing the poppy or to be paid for the poppy which the government destroys. We also found out that a peasant planting legumes one year under a buy out program could increase poppy yields the next year in the replenished soil.

In this hemisphere we now give so little economic aid, outside of the dwindling monies for Central America, that threatening to cut off aid is hardly a threat; the Medellin Cartel can outbid us.

Trade embargos don't work --the Soviets stayed in Afghanistan, Fidel Castro in Havana, and Daniel Ortega in Managua -- and their effects fall upon the common man rather than upon the political leadership. Trade embargos make Americans feel good, but in fact, the trade embargo helped Castro stay in power and provided a convenient excuse for the Sandinistas to explain away their mismanagement of the Nicaraguan economy. And even a more sophisticated strategy, that of fiscal pressure, has not produced Noriega's departure.

A sensible strategy would attack demand and supply in equal measure, and with greater sustained resources, enabling us to ask for help from foreign governments with cleaner hands than we now have. I would argue for a $10 billion per year program for five years, divided into enforcement, at home and abroad, and major increases for demand reduction at home and for economic assistance, particularly in Latin America. Such an allocation, among other things, would make clear that America meant business, in itself an incentive to decent people abroad to join with us.

Were we, for example, to reinstitute substantial economic assistance to coca leaf producing countries, such as Peru and Bolivia, it might be of help as part of a larger strategy to push forward the rural development of these incredibly poor countries,a sine qua non for getting peasants to move slowly toward other crops, and provide the administration of the day with leverage, just as major assistance programs have provided incentives against military coups in Central America.

Noriega

In respect of General Noriega, my first recollection comes in 1977. To my knowledge, no one in the State Department ever thought well of him then or now. Early on we took to calling him the rent-a-colonel, in tribute to his ability to simultaneously milk the antagonistic intelligence services of Cuba and the United States. Noriega honed this skill after Torrijos death made him successively the eminence gris of the Panamanian Defense Forces and, after the ouster of Colonel Paredes in August of 1983, the caudillo of Panama.

Even in those days, the use of Panama as a shipment point for narcotics, particularly marijuana from the Guajira peninsula of Colombia, was a matter of concern for U.S. law enforcement authorities. Improbable as it may seem today, in the late 1970s there was argument within the law enforcement community as to whether marijuana or cocaine deserved the highest priority.

Panama was long a smugglers haven, exemplified by the Free Port in Colon, a mecca for duty free items which nationals of many Latin American countries, with the blessing of Panamanian officials, would use in schemes to get in free of duty, in countries with prohibitive tarriffs, all manner of durables and electronic goods. Cocaine was not then a great concern; the epidemic came later. In the late 1970s, there was no Medellin Cartel and the labs were just beginning to spread in Colombia

In the course of the Panama Canal Treaties, the Senate Judiciary Committee held hearings on Panamanian involvement in the drug trade. The focus was not on Noriega but on one of Torrijos' brothers, Moises, on whom the DEA possessed evidence. I recall that as the senior officer in the Bureau of Inter-American affairs responsible for Freedom of Information matters I argued successfully for declassification of the DEA materials dealt with in the Judiciary Committee hearings. Torrijos' brother was an embarrassment, but by today's standards, a minor leaguer.
We declassified everything, if I recall correctly, but those passages which would reveal DEA sources and methods. Perhaps Noriega was mentioned, but if so, I think only in passing. (It is a matter which can be easily checked.) If he were personally involved in drug trafficking in those days, the United States did not know it even though it was apparent to all but his handlers that Noriega was untrustworthy.

Noriega's cozy relationship with American intelligence agencies may have even then protected him from close scrutiny. What is certain is that the value attributed to the relationship with Panamanian intelligence led our intelligence agencies to depend on the Panamanian service for handouts, treating them as an allied service. Panama had become sort of like Switzerland in World War II, a place where rival intelligence services, particularly the Cubans and the United States, could spy on each other.

This see no evil approach meant that when Noriega's status as an ally finally got seriously questioned in 1986, we knew little about the others in the Panamanian Defense Force leadership, except whether the individuals spoke English and were socially pleasant to Americans. This was a true intelligence failure, the accountability for which rests with the intelligence folk who had become Noriega's clients. It is only a partial consolation that the Cuban regime also became his client.

By the early 1980s, demand for cocaine in the United States had begun to grow. The efforts of DEA and Customs had put a crimp in the traditional major supply route, direct from Colombia by ship or air to the United States. In order to escape the heat the drug dealers began to diversify the routes. Drugs know no ideology, in this continent or elsewhere, so we now have information against Cuban and Nicaraguan officials and M-19 and FARC guerrillas in Colombia as well as about trafficking through every non-communist Central American country.(e.g. the "six million dollar man" from El Salvador.)

In Panama, ideologies met in the person of General Noriega. The diversification of the routes coincided with the beginnings of the explosion of demand for cocaine in the United States and the formation of the Medellin cartel, which provided a structure and the funds for the systematic suborning of officials, not only law enforcement, but military. Hindsight suggests that Panama became a major player around 1983, if not a bit earlier, restraints having been lifted by the death of Torrijos in 1981 and the rise to power of Noriega.

What is certain is that in 1980 the United States government knew of the triangular trade in arms, money and sometimes drugs involving people such as the Panamanian pilot Cesar Rodriguez and a Chilean asset of the Cubans, Fernando Carrasco,.who ran a defunct Costa Rican airfright operation, EXACO.

Both dead, they were involved in smuggling arms to the Sandinistas and then to the FMLN insurgents in El Salvador. Several Costa Rican pilots, including Werner Lutz, a Costa Rican Civil Guard pilot during the Carazo admininistration, were also involved in smuggling arms, amply documented during the 1981 Costa Rican Legislative Assembly Investigation. One facet, until exposure forced its closure, was run out of Papalonal airstrip in Nicaragua by Carrasco. The Cuban Consulate in San Jose was much involved in the orchestration of the arms smuggling.

I have not read Jose Blandon's testimony but accounts suggest to me that he has recounted the events surrounding the arms smuggling to the FMLN in El Salvador with precision, including the role of Costa Rican and Panamanian authorities. Just prior to my arrival in San Jose, the Carter administration, in the person of then Assistant Secretary of State William Bowdler, informed President Carazo that a high official (unnamed for reasons of delicacy) of his administration was involved in smuggling arms to El Salvador. Shortly thereafter, the man, Minister of Public Security Johnny Echeverria, known to have become an asset of Cuba, resigned for personal reasons.

In Panama similar representations about the involvement of Panamanian government officials produced orders from Torrijos to knock it off, orders which produced a dimunition of Panamanian involvement, if not its cessation, particularly after Cesar Rodriguez crashed on an arms flight to El Salvador. The arms traffic continued, that from Costa Rica orchestrated out of the Cuban consulate. Instructions, which I wrote prior to coming to San Jose, required me to press the Costa Rican government to close the Cuban consulate because of the illegal activities it conducted. The Cubans were aware of this and incautiously bragged around town about the things they knew which guaranteed their status. It was only well into the Reagan administration that the Carazo government closed the Cuban consulate for the stated reason that the Cuban UN representative had made a vituperative attack on Costa Rica.

It was clear by 1981, certainly to the country team in San Jose, that there was a certain amount of narcotics freelancing by the same folks who were running the supply net to El Salvador. The involvement of Cesar Rodriguez, Lutz, and EXACO was by then documented by the DEA. EXACO left a DC-4 on an abandoned airstrip in Malone Florida which had been filled with Colombian marijuana. Rodriguez was killed much later in a settling of accounts with the Medellin Cartel. Lutz, now in federal prison on a narcotics rap, later piloted Caro Quintero to Costa Rica, only to have the DEA and the Monge administration foil Caro's effort to set up shop in Costa Rica.

The governments of Cuba and Nicaragua, as well as the leadership of the FMLN, knew of the narcotics connection, made possible by the involvement of this net of freebooters with the arms supply to the M-19 guerrillas in Colombia, an insurgent group which enjoyed the support of the Government of Cuba. Torrijos, after representations from the government of Colombia, curbed the involvement of Panamanians.

Colombian President Betancur's efforts to produce a political settlement with the insurgents through amnesty and reincorporation in the political process broke down when the M-19 seized the Palace of Justice in Bogota. The government stormed the palace amid much loss of life. The insurgents presumably thought their weapons were untraceable. They were wrong. We traced some back to a lot Venezuela had given for use early on in the Sandinista revolution. In all probability the weapons found their way to Colombia through this net of freebooters, some of whom were also much involved in the burgeoning drug trade, with which the M-19 had become associated. The arms could have come from Nicaragua directly, or from leftover stocks cached in Costa Rica. There is ample information that Costa Rican supporters of the Sandinistas took a cut of the arms shipments, most of which came from Cuba, and that leftovers were then sent elsewhere, particularly to El Salvador.

In 1984, the year I took up my job as senior deputy in INR, the United States government scheduled an inter-agency conference on Western hemisphere narcotics. There was discussion over whether to change the venue, in part prompted by the death threats against our Ambassador and other American officials in next door Colombia, in part by growing information about the involvement of the Panamanian military in the smuggling.

In the end, the conference was held in Panama. A senior officer from INR attended the conference. In the hotel, he and a senior DEA officer shared an elevator with a Colombian trafficker; hot words were exchanged. Even then, the feeling was that Noriega was somehow involved. I am not sure, but I think Noriega's cooperation with the DEA in certain matters dated from conversations with American officials at that conference, from his perspective a way to keep us off his back while he dealt with the cartel..

When Nicolas Ardito Barletta won office as President of Panama in May of 1984, he did so in close but flawed elections. The United States was faced with a dilemma, the choice seemed to be between Barletta or an outright military coup. In extending congratulations to Barletta and in sending Secretary Shultz to his inauguration, the United States decided to back a capable international civil servant in the hopes that a successful government would serve as a transition to democratic civilian rule. As a senior State Department intelligence official, I played no part in the policy decision, but I thought it the best we could do in the circumstances.

The United States government,however, was giving thoroughly mixed signals (the old problem of the "two governments") to Panama. The stated policy, backed by Ambassador Briggs and Assistant Secretary Motley, was to try to avoid a new Somoza and to support real civilian rule. The body language that Noriega saw from CIA, military intelligence, and some in DOD suggested otherwise, that if he could consolidate his hold, his friends in Washington would take care of things. The State Department could be safely ignored. Even though the commanders of SOUTHCOM, as General Gorman has testified, tried to stay at arms length to avoid becoming hostage to someone so unsavory, Noriega also parlayed PDF/Southcom relationships to his advantage.

Today's crisis is not the first time the United States was presented with an unequivocal opportunity to act. In September of 1985, PDF officers murdered Hugo Spadafora, a disciple of Torrijos who became a comrade in arms of Eden Pastora in the Sandinista revolution and then in the struggle against the commandantes. Spadafora was killed because, among other things, he was exposing the involvement of the PDF and Noriega in drugs. President Barletta, who had tried to run Panama in accordance with his constitutional mandate, clashed openly with Noriega in calling for a full investigation of Spadafora's murder. In mid-September of 1985 Noriega fired Barletta, as he has now fired Delvalle. Ambassador Briggs argued that we should do roughly what we have now done with Delvalle, support the legitimacy of the Barletta government.

Again I played no part in the policy decision but I thought Briggs was correct. He was, however, overruled and the United States grudgingly acquiesced in the change to Delvalle. It was predictable that.Noriega would conclude from his experience in ousting Barletta that his friends would ensure that United States would go along with anything he chose to do.

I am not personally knowledgeable of the arguments that swayed Elliot Abrams, who was never so far as I know a supporter of Noriega, to overrule Briggs. Perhaps some kind of shortsighted "he's a bastard, but he's our bastard" argument carried the day, linked to the Canal and Noriega's putative support for the contras So far as the contras are concerned, Noriega had a record, ignored by his backers, of promising more than he delivered. I suspect Noriega treated the Cubans and the Medellin cartel the same way, one of several reasons why he is not eager for exile and perhaps the reason, as a Panamanian recently suggested to me, that the cartel does not seem so far to have poured in dollars to meet his payroll. .

The Spadafora murder and, if I recall correctly, the public exposure of the involvement of a PDF officer in cocaine trafficking, had upped the pressure on narcotics. And while we had backed away from confrontation with Noriega over the ouster of Barletta, it had made for a public stench.

Noriega came to Washington to meet with Director Casey on, I believe, November 1, 1985.. Mr. Casey's memcon made clear that he let Noriega off the hook. He scolded Noriega only for letting the Cubans use Panama to evade the trade embargo, but never mentioned narcotics nor, if I recall correctly, democracy. Mr. Casey's memcon noted that Noriega had been nervous when he came to meeting but departed reassured, or words to that effect.

In mid-November Mr. Casey gave Noriega another token of legitimacy. Briggs learned of a message from the Director of Central Intelligence for Noriega, purporting to explain the United States position on the Contadora process.. (Mr. Casey gave as the reason for his message that during his discussion of Central America with Noriega, the latter had expressed bewilderment about the U.S. position on Contadora.)

Briggs pointed out that this was the wrong signal, that discussions about foreign affairs should be carried out with the civil authorities and handled by the Embassy, not the CIA. Elliot Abrams, however, had cleared sending such a message. It is obvious that the meeting with Casey and the message from him confirmed Noriega's belief that the people who counted in the USG were backing his grab for power and that he had no reason to listen to mere Ambassadors and State Department babble. If he could keep us happy on Nicaragua, he could do as he pleased.

While Admiral Poindexter, on a trip in late 1985 reportedly upbraided Noriega about narcotics, the matter seems to have been soon forgotten in

NSC circles.. Documents released from the Iran-contra investigation reportedly show that Lt. Col. North sought Noriega's help in arranging sabotage missions inside Nicaragua. Admiral Poindexter reportedly approved the operation with the stipulation that the missions should avoid assassinations. The reliability of North's notes are in question, but it seems in character for Noriega to have offered help without intending to give it and then to have told the Cubans and the Nicaraguan government. I do not know the date of this discussion, but it may be relevant to what follows.

In June of 1986, Sy Hersh wrote about Noriega in the New York Times, giving wide currency to doubts about the wisdom of dancing with this dictator. I am not sure that even today I understand the Pia Vesta scam, which occurred around that time. But whatever the Pia Vesta's origins, Noriega had this ship, with its cargo of arms and vehicles, seized on June 14 on the way back through the canal and it became another link in his putative value to the contra program. I understood at the time that Lt. Col. North approached Noriega to get him to spring the cargo for use by the contras and that wiser heads in the CIA blocked the idea, fearing that this tainted cargo would taint the contras and the USG. .

The Hersh articles and Congressional interest prompted intelligence and policy reviews. If I recall correctly the intelligence agencies and the law enforcement community came up with roughly similar judgements. INR's piece, written by one of its most thoughtful and experienced analysts, said, in effect that Noriega runs Panama and Noriega is corrupt. We know for certain PDF officials are involved in the cocaine trade but don't have that evidence on Noriega. But not a sparrow falls without him taking a feather. Noriega has to know and is likely getting a share.

A formal policy review followed shortly. The Panama Regional Interagency Group, to which I was invited, the only time Abrams invited me to a RIG, had a large cast from State, CIA and DOD. My recollection is that Lt. Col. North wasn't present but that someone from the NSC, probably Ray Burkhardt, attended.

Several of us suggested in different ways that the Noriega issue wasn't going to go away if for no other reason than narcotics. We should look at how Panamanians might structure a change, with particular attention to finding out whether there were senior officers in the PDF who were clean enough and smart enough to understand that Panama's future (and the future of the PDF) rested on a transition to democratic rule.

My recollection is that the [redacted] decided that we could not do anything right away, but should proceed to take a close look at possible alternatives. [redacted] did not link this in any way to Nicaragua. Unfortunately, so far as I know, nothing was done to look at alternatives until today's crisis blew.

I told colleagues I couldn't understand the sudden switch. Elliot Abrams always overestimated the ability of the contras, but it was hard to see how even he could believe a contra victory could happen so quickly that the Noriega problem could be shelved. The logical explanation for Abrams' change of heart, given his explicit linkage of Nicaragua with Noriega, is that between the RIG and the State Department meeting someone sold him a bill of goods, that Noriega was vital to a contra victory.

I have no use for Elliot Abrams; he lied about me, and behind my back. But fairness requires me to say that the administration has responded briskly this time to Noriega and Abrams deserves his share of the credit. While Noriega's exit is a not a substitute for a national drug strategy, it is a precondition for one.

While it is fair to give the administration an A for effort, however belated, the tactics to get Noriega out have not worked so far. Perhaps the non violent opposition of the Panamanians and the financial squeeze from the United States will persuade Noriega to step down shortly. I hope so, but the record suggests he maybe able to hang on for a while, just as Somoza did, long enough perhaps to bring the pillars of temple down around him, blaming the gringos for the ruin he has brought upon Panama.

The administration made the same mistake that it made with respect to the contra program, it indulged in wishful thinking, in the illusion of omnipotence. Wanting Noriega gone is not the same as getting him to go. Administration predictions that he would probably leave in a matter of days have left a dangerous impression, that the United States is impotent, an impression that feeds an ego as large as his appetite for money. The adminstration did not foresee a lengthy tug of war and the consequent effects of protracted fiscal measures on the Panamanians..

Noriega's is not the first narco-government. At the turn of the decade Bolivia was run by narco-traffickers, General Garcia Meza and Lucho Arce, who for a time garnered conservative support in the United States because of their professed anti-communism. A combination of United States pressure and Latin American ostracism emboldened the Bolivian military to throw them out and turn the country over to a democratic transition.

That experience prompts m to repeat a suggestion I made at the outset of the crisis in a discussion on a CNN public affairs program; the least painful way to get Noriega out is for Latin America mediate his departure. Otherwise, I fear our choices will quickly narrow to doing nothing or sending in the troops.

Ironically, ten years ago in similar circumstances most of Latin America was clamoring for the Carter administration to push out Somoza before it was too late. Then as now, most of Latin America wants the dictator gone, for obvious reasons. But this time our neighbors are reluctant to get involved, except in symbolic ways, because of their distrust of an interventionist Reagan administration.

While some individuals in Latin America have been involved in behind the scenes efforts to resolve the Panamanian crisis, the Latin governments have limited their efforts to symbolic gestures, such as the suspension of Panama from the Group of Eight, and the refusal at SELA, a Latin American economic group, to accord legitimacy to the Noriega government even as it issued a boiler-plate condemnation of foreign intervention. .

I am not trying to justify the behavior of Latin America, which has an ostrich like quality to it, but they have not been given an opportunity to lead. In the absence of that opportunity it has been all to easy for our neighbors to wring their hands about intervention and express understandable concern about the plight of the Panamanian people.

The vital national national security interests of Latin America are at least as much involved as ours in preventing the spread of drugocracies. My suggestion is simple: that the United States, without relaxing its fiscal measures, make clear that it is prepared to respect a reasonable Latin American formula for early resolution of the crisis.

To make ourselves credible we have to make clear that opposition to Noriega is not a cover to abrogate the canal treaties and that we are prepared to replace the broken financial crockery and assist in Panama's economic recovery. Perhaps the President could name a Special Envoy known and trusted in Latin America, to carry the burden of consultations with our neighbors. I say that because of the nature of the task and because the relationship between Washington and its neighbors is so frayed.

If Noriega is unresponsive to proposals from Latin America for a speedy resolution of the crisis, the United States would have then have ample reason to step up the pressure.

Bueso Rosa

I understand my deposition to the Iran-Contra committees, in part covering the Bueso Rosa case, has been made available to committee staff. Since then testimony released by the Iran-contra committees has made clear that at least eight senior U.S. government officials tried to get this gentleman out of serving time on a well deserved conviction for conspiring to assassinate the President of Honduras.

Their efforts ran counter to three expressed policies of the President of the United States, support for democracy, counter-terrorism, and the fight against narcotics. The killing was to be financed by a $40 million cocaine shipment, which the FBI seized and for which Bueso Rosa's co-conspirators were convicted,in addition to conspiracy to murder for hire. The State Department apparently did not furnish its files on the Bueso Rosa case to the Iran-contra committee.

The motives for trying to get him off may have varied with the individual, but Bueso's past usefulness to the contra program was one stated reason. I also believe there is circumstantial evidence the "songs we don't want to hear", Lt. Col. North's words, involved narcotics. I am not thinking of the contras per se, but those involved in the supply. The involvement of some Honduran military, e.g. Col. Said Speer, with narcotics traffickers is now a matter of record as is our failure to get Honduras to do anything about Mata Ballesteros, a satrap of the cartel.

AIRPORT KEY FOR AUGUST 17, 1987

MRLB= Liberia

MHTG= Tegucigalpa

MYGF= Bahamas

MSSS= El Salvador

SAN JOSE, 17 de agosto de 1987

Señor
Reinaldo Vargas
Jefe Dpto. Operaciones Aeronáuticas
PRESENTE

Estimado señor :

De acuerdo a su solicitud, me permito dar a usted el Control de Operaciones Diarias de Aeronaves con Matrícula Extranjera.

AEROPUERTO INT JUAN SANTAMARIA CODIGO AEROP.01 CODIGO EMPRESA 800

FECHA	MATRICULA	MODELO	ORIGEN Y DESTINO	HORA LOCAL	
				ENTRADA	SALIDA
Julio 1984	N-114	SW	NO OPERO		
Noviem.1984	N-811	HW	NO OPERO		
	N-851	Y	NO OPERO		
	N-666	PF	NO OPERO		
	N-91	CB	NO OPERO		
Diciem.1984	N-811	SW	NO OPERO		
	N-851	Y	NO OPERO		
	N-666	PF	NO OPERO		
	N-91	CB	NO OPERO		
Diciem. 1985	N-54		NO OPERO		

Señor
Reinaldo Vargas

FECHA	MATRICULA	MODELO	ORIGEN Y DESTINO	ENTRADA	SALIDA
AEROPUERTO TOBIAS BOLAÑOS					
Julio 1984	N-114	SW	NO OPERO		
Noviem 1984	N-811		NO OPERO		
	N-851		NO OPERO		
	N-666		NO OPERO		
	N-91		NO OPERO		
Diciemb. 1984	N-811		NO OPERO		
	N-851		NO OPERO		
22 dic 1984	N-666	Be-55	MSSS MRPV	12:57	
	N-666	Be-55	MRPV MSSS		14:16
Diciem 1984	N-91		NO OPERO		
Diciem. 1985	N-54		NO OPERO		
AEROPUERTO LIMON					
Noviem 1984	N-811		NO OPERO		
	N-851		NO OPERO		
	N-666		NO OPERO		
	N-91		NO OPERO		
Diciem 1984	N-811		NO OPERO		
	N-851		NO OPERO		
	N-666		NO OPERO		
	N-91		NO OPERO		
Diciem 1985	N- 54		NO OPERO		
Julio 1984	N-114		NO OPERO		
AEROPUERTO LIBERIA					
Julio 1984	N-114		NO OPERO		
Noviem 1984	N-811		NO OPERO		
	N-851		NO OPERO		
	N-666		NO OPERO		
	N-91		NO OPERO		
Diciem 1984	N-811		NO OPERO		
	N-851		NO OPERO		
	N-666		NO OPERO		
	N-91		NO OPERO		
26 Diciembre 1985	N-811	Pa-31	MHTG MRLB	13:30	
27-dic-85	N-811	Pa-31	MRLB MYGF		07;10
27 dic-85	N-811		MYGF MRLB	10:27	
27 dic-85	N-811		MRLB LOC		11:00
27 dic-85	N-811		LOC MRLB	11:15	
28 dic-85	N-811		MRLB MSSS		06:52
Diciem.85	N-54		NO OPERO		

Las información se basa en los archivos de control de operaciones diarias que lleva este departamento.

De usted atentamente,

Victor E. Solera G.

Víctor E. Solera González
JEFE PLANEAMIENTO

LETTER FROM SENATOR KERRY

July 31, 1987

Mr. William von Raab
Commissioner of Customs
United States Customs Service
1301 Constitution Ave., NW
Washington, D.C. 20229

Dear Mr. von Raab:

In connection with the Subcommittee's ongoing investigation of the impact of foreign policy and law enforcement in the area of narcotics trafficking, we would appreciate receiving the following document.

We would like a copy of a customs declaration dated September 13, 1984, for a plane with the tail number HW811T. The plane made a round trip from Miami to the Bahamas and back, on the above-mentioned day. The plane was carrying passengers George/Jorge Morales, Octaviano Cesar, Marcos Agualdo, and Popo Chamorro; the pilot was Ramon Fernandez.

Thank you for your cooperation.

Sincerely,

John F. Kerry
Chairman
Subcommittee on Terrorism,
Narcotics and International
Operations

LETTERS FROM CHARLES R. PARKINSON

August 5, 1987

Dear Senator Kerry:

Commissioner von Raab has asked me to respond to your letter of July 31, 1987, in which you request a copy of a customs declaration dated September 13, 1984. Based on conversations between your staff and Customs personnel, a search for the subject document has been initiated.

As you are aware, the law requires various record retention periods for different types of documents. Nevertheless, Customs personnel will make every effort to satisfy your request as soon as possible.

Sincerely,

Charles R. Parkinson

August 10, 1987

Dear Senator Kerry:

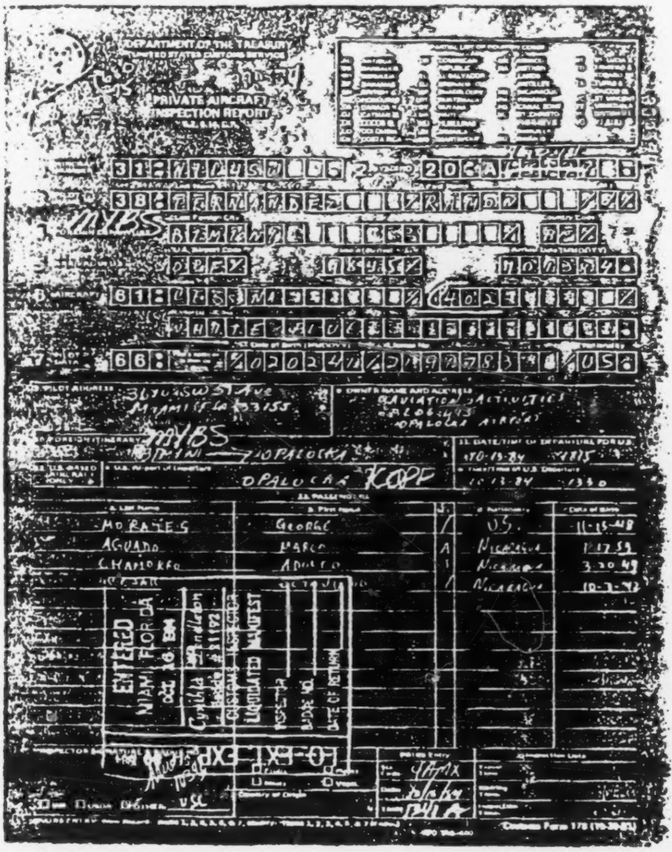
This letter further responds to your inquiry of July 31, 1987, in which you requested a Customs declaratory regarding a flight on September 13, 1984, from Miami to the Bahamas and back, carrying the four passengers George Morales, Marco Aguado, Adolpho Chamorro, and Octaviano Cesar. The pilot of the plane was Ramon Fernandez.

In conversations with your staff, and after searching various Customs record systems, it was found that the flight in question took place on October 13, 1984, not on September 13, 1984. In addition, the correct aircraft identification number was discovered to be N114SW. Your staff has been notified of these facts.

As I mentioned in my interim response to you dated August 8, 1987, the law requires different retention periods for different types of documents. Customs will continue to search for the entry record you are seeking. Please understand however, that this document may be in a Federal records center so the actual location of the document (assuming it still exists) could require a considerable search. Nevertheless, Customs will continue to make every effort to satisfy your request.

Sincerely,

Charles R. Parkinson



DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE

PRIVATE AIRCRAFT
INSPECTION REPORT

MYBS

Pilot address: 3640 SW 5 Ave
Miami Fla 33155

Owner name and address: Aviation Activities
Opa Locka Airport

Foreign itinerary: MYBS Bimini — Opalocka

U.S. Airport of Landing: Opalocka KOPF

Date/time of departure for U.S.: 10-13-84 1215

Date/time of U.S. departure: 10-13-84 1330

Passengers

Last Name	First Name		Nationality	Date of Birth
Morales	George	/	U.S.	11-15-48
Aguado	Marco	A	Nicaragua	1-17-53
Chamorro	Adolfo	1	Nicaragua	3-20-49
Cesar	Octaviano	/	Nicaragua	10-3-42

ENTERED
MIAMI FLORIDA
OCT 16 1984
Customs Inspector
LIQUIDATED MANIFEST

LETTER FROM TREASURY ASSISTANT SECRETARY FRANCIS A. KEATING II

17 NOV 1987

Dear Senator Kerry:

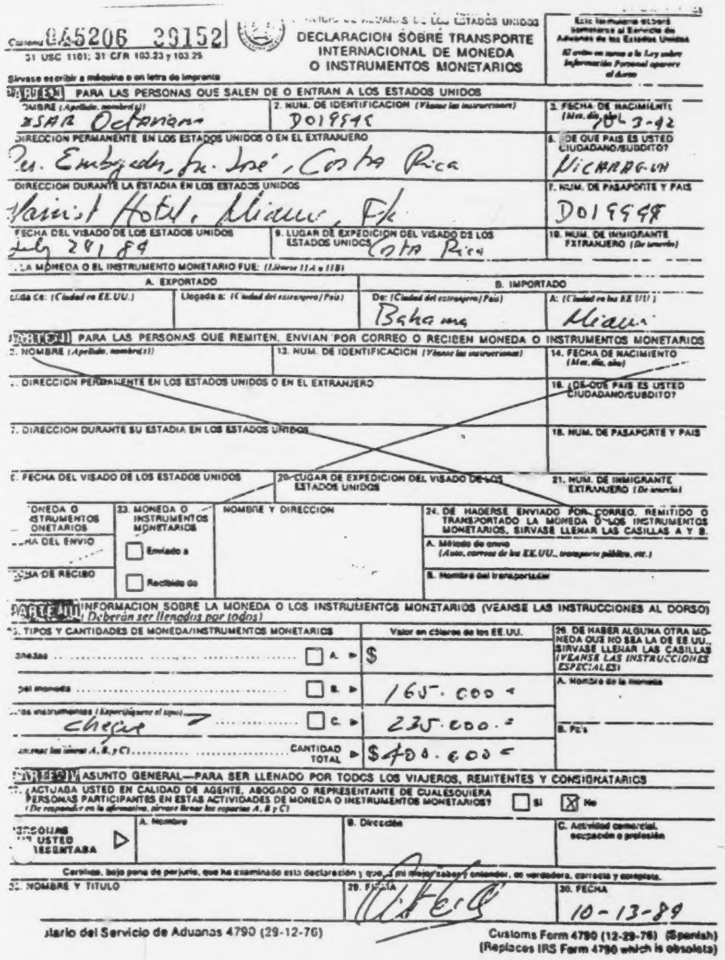
In accordance with your request of October 13, 1987, to the Commissioner of the U. S. Customs Service, I am enclosing a copy of a Form 4790, Report of International Transportation of Currency or Monetary Instruments ("CMIR"), for use in your inquiry into possible narcotics trafficking by Nicaraguan Contra groups. This CMIR was filed at the same time as a Private Aircraft Inspection Report provided to you previously by Customs.

I know you will appreciate the sensitivity of all Bank Secrecy Act information and that the Subcommittee will take appropriate measures to ensure that this information is not further disseminated and used only for the stated purpose. Please contact me if any further dissemination is anticipated.

Sincerely,

for

Francis A. Keating, II
Assistant Secretary
(Enforcement)



Customs 045206 39152
31 USC 1101; 31 CFR 103.23 y 103.25

DECLARACION SOBRE TRANSPORTE INTERNACIONAL DE MONEDA O INSTRUMENTOS MONETARIOS

Este formulario deberá someterse al Servicio de Aduanas de los Estados Unidos
El aviso en torno a la Ley sobre Información Personal aparece al dorso

Sírvase escribir a máquina o en letra de imprenta

PARTE I PARA LAS PERSONAS QUE SALEN DE O ENTRAN A LOS ESTADOS UNIDOS

OMBRE (Apellido, nombre(s)): ESAR Octaviano
2. NUM. DE IDENTIFICACION (Véanse las instrucciones): D019545
3. FECHA DE NACIMIENTO (Mes, día, año): Oct 3-42
DIRECCION PERMANENTE EN LOS ESTADOS UNIDOS O EN EL EXTRANJERO: Res. Embajador, Sn. José, Costa Rica
6. ¿DE QUE PAIS ES USTED CIUDADANO/SUBDITO? NICARAGUA
DIRECCION DURANTE LA ESTADIA EN LOS ESTADOS UNIDOS: Marriot Hotel, Miami, Fla
7. NUM. DE PASAPORTE Y PAIS: D019548
FECHA DEL VISADO DE LOS ESTADOS UNIDOS: July 24, 84
9. LUGAR DE EXPEDICION DEL VISADO DE LOS ESTADOS UNIDOS: Costa Rica
10. NUM. DE INMIGRANTE EXTRANJERO (De haberlo):

LA MONEDA O EL INSTRUMENTO MONETARIO FUE: (Llénese 11A u 11B)

A. EXPORTADO		B. IMPORTADO	
Salida de: (Ciudad en EE.UU.)	Llegada a: (Ciudad del extranjero/País)	De: (Ciudad del extranjero/País)	A: (Ciudad en los EE.UU.)
		Bahama	Miami

PARTE II PARA LAS PERSONAS QUE REMITEN, ENVIAN POR CORREO O RECIBEN MONEDA O INSTRUMENTOS MONETARIOS

NOMBRE (Apellido, nombre(s)):
13. NUM. DE IDENTIFICACION (Véanse las instrucciones):
14. FECHA DE NACIMIENTO (Mes, día, año):
DIRECCION PERMANENTE EN LOS ESTADOS UNIDOS O EN EL EXTRANJERO:
16. ¿DE QUE PAIS ES USTED CIUDADANO/SUBDITO?
DIRECCION DURANTE SU ESTADIA EN LOS ESTADOS UNIDOS:
18. NUM. DE PASAPORTE Y PAIS:
FECHA DEL VISADO DE LOS ESTADOS UNIDOS:
20. LUGAR DE EXPEDICION DEL VISADO DE LOS ESTADOS UNIDOS:
21. NUM. DE INMIGRANTE EXTRANJERO (De haberlo):
ONEDA O INSTRUMENTOS MONETARIOS — FECHA DEL ENVIO: — FECHA DE RECIBO:
23. MONEDA O INSTRUMENTOS MONETARIOS ☐ Enviado a ☐ Recibido de
NOMBRE Y DIRECCION:
24. DE HABERSE ENVIADO POR CORREO, REMITIDO O TRANSPORTADO LA MONEDA O LOS INSTRUMENTOS MONETARIOS, SIRVASE LLENAR LAS CASILLAS A Y B.
A. Método de envío (Auto, correos de los EE.UU., transporte público, etc.):
B. Nombre del transportador:

PARTE III INFORMACION SOBRE LA MONEDA O LOS INSTRUMENTOS MONETARIOS (VEANSE LAS INSTRUCCIONES AL DORSO) (Deberán ser llenados por todos)

TIPOS Y CANTIDADES DE MONEDA/INSTRUMENTOS MONETARIOS		Valor en dólares de los EE.UU.
onedas	☐ A. ▶	$
el moneda	☐ B. ▶	165.000.-
os instrumentos (Especifíquese el tipo) Cheques	☐ C. ▶	235.000.-
umar las líneas A, B, y C)	CANTIDAD TOTAL ▶	$400.000.-

26. DE HABER ALGUNA OTRA MONEDA QUE NO SEA LA DE EE.UU., SIRVASE LLENAR LAS CASILLAS (VEANSE LAS INSTRUCCIONES ESPECIALES)
A. Nombre de la moneda:
B. País:

PARTE IV ASUNTO GENERAL—PARA SER LLENADO POR TODOS LOS VIAJEROS, REMITENTES Y CONSIGNATARIOS

¿ACTUABA USTED EN CALIDAD DE AGENTE, ABOGADO O REPRESENTANTE DE CUALESQUIERA PERSONAS PARTICIPANTES EN ESTAS ACTIVIDADES DE MONEDA O INSTRUMENTOS MONETARIOS? (De responder en la afirmativa, sírvase llenar los espacios A, B y C) ☐ Sí ☒ No

ERSONAS USTED ESENTABA ▷ A. Nombre: — B. Dirección: — C. Actividad comercial, ocupación o profesión:

Certifico, bajo pena de perjurio, que he examinado esta declaración y que, a mi mejor saber y entender, es verdadera, correcta y completa.

NOMBRE Y TITULO:
29. FIRMA:
30. FECHA: 10-13-84

ulario del Servicio de Aduanas 4790 (29-12-76)

Customs Form 4790 (12-29-76) (Spanish)
(Replaces IRS Form 4790 which is obsolete)

PREPARED STATEMENT OF SENATOR D'AMATO

MR. CHAIRMAN, TWO MONTHS AGO, WE HELD A WEEK OF HEARINGS THAT VIVIDLY DESCRIBED THE GROWING THREAT OF INTERNATIONAL NARCOTICS TRAFFICKING TO THE NATIONAL SECURITY OF THE UNITED STATES.

I DO NOT BELIEVE THAT BEFORE THESE HEARINGS MANY PEOPLE UNDERSTOOD THE GRAVITY OF THE DRUG TRAFFICKING PROBLEM. ONLY NOW ARE PEOPLE BECOMING MORE AWARE OF THE IMMENSE POWER AND CORRUPTING INFLUENCE OF THE INTERNATIONAL DRUG CARTELS.

MR. CHAIRMAN, YOU AND I HAVE COSPONSORED LEGISLATION, THE OMNIBUS ANTI-DRUG ABUSE ACT OF 1988. IN THAT LEGISLATION, WE PROPOSE ADDITIONAL EDUCATIONAL PROGRAMS FOR OUR YOUTH ON THE HORRORS OF DRUG ABUSE. MR. CHAIRMAN, IT SEEMS OUR NATION'S TOP POLICY MAKERS ALSO NEED TO BE EDUCATED ABOUT THE SERIOUS THREAT TO THIS NATION THAT INTERNATIONAL DRUG TRAFFICKING NOW REPRESENTS.

THIS IGNORANCE IS EVIDENCED BY OUR INABILITY TO GET GENERAL NORIEGA OUT OF PANAMA. IF THERE IS ANY NATION WITH WHICH WE SHOULD HAVE GREAT INFLUENCE, IT IS PANAMA. THE UNITED STATES IS VIEWED FAVORABLY THERE. WE HAVE OVER 10,000 TROOPS STATIONED IN PANAMA; THEY EVEN USE OUR CURRENCY. YET THIS TIN HORN DICTATOR IS MAKING A MOCKERY OF UNITED STATES FOREIGN POLICY.

GENERAL NORIEGA HAS SURPRISED MANY WITH HIS INTRANSIGENCE. HE HAS PARTICULARLY SURPRISED OFFICIALS AT THE DEFENSE DEPARTMENT. I CAN SAY, WITHOUT HESITATION, THAT THERE IS VIRTUALLY NO ONE AT THE DEPARTMENT OF DEFENSE WHO HAS ANY DEPTH OF KNOWLEDGE ABOUT WHAT IS REALLY HAPPENING IN PANAMA.

MR. CHAIRMAN, WE ARE WITNESSING THE RAPID CUBANIZATION OF PANAMA. AT LEAST THREE PLANE LOADS OF SOVIET-MADE WEAPONS WERE DELIVERED TO GENERAL NORIEGA OVER THE LAST SEVERAL WEEKS. THREE TEAMS OF CUBAN ADVISERS ARE NOW IN PANAMA AT GENERAL NORIEGA'S

REQUEST. NORIEGA HAS OPENED TIES TO THE KGB, AND HE HAS SOLICITED MONEY FROM LIBYA'S MUAMMAR QADDAFI.

MR. CHAIRMAN, ALTHOUGH GENERAL NORIEGA IS A SYMPTOM AND NOT THE DISEASE, I BELIEVE OUR WAR AGAINST INTERNATIONAL DRUG TRAFFICKING WILL SUFFER GREATLY IF WE ARE UNABLE TO FORCE HIM TO STEP DOWN. OUR INEPTITUDE IN PANAMA MAY ENCOURAGE OTHER NATIONAL LEADERS IN LATIN AMERICA TO ENGAGE IN DRUG TRAFFICKING. INDEED, PANAMA IS ONLY ONE OF MANY NATIONS IN THE REGION THAT IS ALREADY HEAVILY INVOLVED IN DRUG TRAFFICKING.

THE PHENOMENON OF NARCO-MILITARISM HAS ALSO AFFECTED THE GOVERNMENTS OF HAITI AND HONDURAS. HOW MANY MORE NATIONS HAVE TO TURN INTO A PANAMA BEFORE WE ACT?

THIS WEEK WE WILL CONTINUE OUR EXPLORATION OF THE CORROSIVE EFFECTS OF DRUG TRAFFICKING IN THIS HEMISPHERE.

IT IS MY STRONG HOPE THAT THESE HEARINGS WILL PROMPT THIS ADMINISTRATION, AND FUTURE ADMINISTRATIONS, TO RECOGNIZE THE NATIONAL SECURITY THREAT OF DRUG TRAFFICKING AND ACT RESOLUTELY AGAINST IT. AT THE VERY LEAST, I HOPE THAT OUR EXPERIENCE WITH GENERAL NORIEGA WILL PREVENT FUTURE ADMINISTRATIONS FROM UNDERMINING OUR WAR AGAINST DRUGS FOR OTHER POLICY CONCERNS.

I WANT TO THANK YOU, SENATOR KERRY, FOR YOUR ENERGETIC AND DILIGENT COMMITMENT TO THE WAR ON DRUGS. THESE HEARINGS HAVE PLAYED, AND WILL CONTINUE TO PLAY, A VITAL ROLE IN THE DEVELOPMENT OF OUR NATION'S POLICY ON DRUGS. YOU ARE TO BE COMMENDED FOR THIS GREAT SERVICE TO THE NATION.

THANK YOU, MR. CHAIRMAN, FOR THIS OPPORTUNITY TO JOIN YOU IN THESE IMPORTANT HEARINGS.

COMMANDANCIA DE LAS FUERZAS DE DEFENSA DE PANAMA

CONSIDERACIONES DEL GENERAL MANUEL ANTONIO NORIEGA, EN RELACION AL ENCAUSAMIENTO DE LAS LEYES ESTADOUNIDENSES.

ESTADOS UNIDOS UTILIZA LA ADMINISTRACION DE JUSTICIA COMO ARMA POLITICA, Y VIOLA SUS PROCEDIMIENTOS JURIDICOS.

ABOGADOS EN PANAMA Y EN ESTADOS UNIDOS ACTUARAN DENUNCIANDO JURIDICAMENTE ANTE LOS TRIBUNALES EN ESTADOS UNIDOS Y LOS ORGANISMOS INTERNACIONALES (ONU Y OEA) LA MANIPULACION DEL PROCESO LEGAL.

EL GOBIERNO DEL PRESIDENTE REAGAN HA UTILIZADO A LA ADMINISTRACION DE JUSTICIA NORTEAMERICANA CON FINES POLITICOS Y HA VIOLADO LOS PROCEDIMIENTOS JURIDICOS DE LAS LEYES NORTEAMERICANAS.

YO SÍ TENGO LAS PRUEBAS DE LA VIOLACION DE LOS PROCEDIMIENTOS JURIDICOS NORTEAMERICANOS EN MI CONTRA, Y LO DENUNCIARE Y DEMOSTRARE JURIDICAMENTE ANTE LOS TRIBUNALES NORTEAMERICANOS Y ANTE LOS FOROS INTERNACIONALES.

YO SÍ TENGO LAS PRUEBAS DE QUE POLITICOS DE LOS ESTADOS UNIDOS DE AMERICA HAN VENIDO AMPARANDO A ABOGADOS, BANQUEROS Y POLITICOS PANAMEÑOS INVOLUCRADOS EN EL NARCOTRAFICO Y TAMBIEN LO DEMOSTRARE CUANDO SEA PERTINENTE.

EL GRAN PECADO DEL GOBIERNO NORTEAMERICANO ES ATENTAR CONTRA LOS PROCEDIMIENTOS JURIDICOS QUE PROTEGEN A LOS DERECHOS CIUDADANOS DE SU PROPIO PUEBLO Y QUE SON PRESENTADOS A LATINOAMERICA Y AL MUNDO COMO EJEMPLO DE DEMOCRACIA.

YO SÍ TENGO PRUEBAS Y NO CON TESTIGOS NEGOCIADOS.

YO SÍ TENGO PRUEBAS DE LA MANIPULACION POLITICA DEL GOBIERNO NORTEAMERICANO SOBRE LA DROGA, SOBRE EL LAVADO DE DINERO, EL TRAFICO DE ARMAS QUE DESANGRAN A LOS PUEBLOS LATINOAMERICANOS.

YO SÍ TENGO PRUEBAS DE QUIENES SON LOS QUE SE LUCRAN CON LA VENTA DE QUIMICOS QUE SE PRODUCEN Y SE VENDEN EN LOS ESTADOS UNIDOS Y LUEGO LOS EXPORTAN SIN NINGUN CONTROL.

YO SÍ TENGO PRUEBAS DE LA CORRUPCION Y DE LA AMBIVALENCIA DEL GOBIERNO NORTEAMERICANO QUE ACTUA EN AMERICA LATINA, DESANGRANDO A NUESTROS PUEBLOS Y ACTUARE ANTE LOS TRIBUNALES NORTEAMERICANOS Y ANTE LOS TRIBUNALES INTERNACIONALES PARA DEMOSTRARLE AL PUEBLO NORTEAMERICANO QUE TIENEN UN GOBIERNO MENTIROSO Y CORRUPTO.

YO SÍ TENGO PRUEBAS QUE LA POLITICA DE LAS DROGAS DEL GOBIERNO NORTEAMERICANO PARA CON MEXICO, ES UN VIL CHANTAJE PARA QUE LE EXIJAN AL PUEBLO MEJICANO QUE PAGUE CON SU SANGRE LA FALTA DE VIGILANCIA QUE LOS NORTEAMERICANOS TIENEN EN SUS PROPIAS FRONTERAS.

YO SÍ TENGO PRUEBAS DE QUE MIENTRAS EL GOBIERNO NORTEAMERICANO DEBE PREOCUPARSE POR LOS DERECHOS HUMANOS EN CENTROAMERICA, NO HA PROTEGIDO A LOS HERMANOS DE GUATEMALA DE LA INVASION DE LOS NARCOTRAFICANTES EN ESE PAIS EN EL QUE NUNCA SE HABIA VISTO SIEMBRAS DE AMAPOLA Y MARIHUANA Y PROCESAMIENTO DE COCAINA.

YO SÍ TENGO PRUEBAS DE QUE EL GOBIERNO NORTEAMERICANO PROPICIO Y MANTUVO GUERRA FRACTRICIDA EN EL SALVADOR EN EL QUE SE LUCHA CON ARMAS DE MANUFACTURA NORTEAMERICANA.

YO SÍ TENGO PRUEBAS DE QUE LA MENTIROSA POLITICA CONTRA LAS DROGAS DEL GOBIERNO NORTEAMERICANO NO HA PROTEGIDO A LOS HERMANOS HONDUREÑOS DE LA INVASION DE COCAINA QUE SE EXPORTA DESDE TERRITORIO HONDUREÑO HACIA LOS ESTADOS UNIDOS, SALIENDO DE PUERTOS QUE ESTAN A ESCASOS KILOMETROS DE LAS BASES MILITARES NORTEAMERICANAS ACANTONADAS EN HONDURAS.

YO SÍ TENGO PRUEBAS QUE LA CAMPAÑA CONTRA EL GOBIERNO NICARAGUENSE NO ES MAS QUE EL INTERES POR MANTENER EN ESE TERRITORIO, UNA GUERRA QUE NO ES OTRA COSA MAS QUE UN MERCADO DE VENTA DE PRODUCTOS BELICOS DE LAS SUPER POTENCIAS.

YO SÍ TENGO PRUEBAS DE QUE LA POLITICA DEL GOBIERNO NORTEAMERICANO SE LANZA AL MUNDO COMO PROTECTOR DE LA DROGA DEJANDO EN ABANDONO A SUS ALIADOS LATINOAMERICANOS Y ASI VEMOS COMO COSTA RICA SE HA CONVERTIDO EN PUNTO DE TRAFICO DE DROGAS.

YO SÍ TENGO LAS PRUEBAS DE QUE MIENTRAS PRETENDEN RESPONSABILIZAR A LOS PUEBLOS SURAMERICANOS POR EL ALTO CONSUMO DE DROGA DE LOS ESTADOS UNIDOS, EL GOBIERNO NORTEAMERICANO PROTEGE Y PROPICIA LA VENTA DE QUIMICOS PARA ELABORAR COCAINA, PRODUCTO ESTE QUE LATINOAMERICA NO PRODUCE.

YO SÍ TENGO LAS PRUEBAS Y LAS HE VENIDO DANDO DURANTE MUCHOS AÑOS A LAS AUTORIDADES NORTEAMERICANAS DE CUALES SON LOS MILITARES RETIRADOS ALIADOS DEL NARCOTRAFICO EN PANAMA, Y ESTADOS UNIDOS NO HIZO NADA.

COURT ORDER OF THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

FILED
APR 5 1988
CLERK, U.S. DISTRICT COURT
DISTRICT OF COLUMBIA

SUBCOMMITTEE ON TERRORISM, NARCOTICS AND INTERNATIONAL OPERATIONS Committee on Foreign Relations The United States Senate Washington, D.C. 20510, Applicant.	Misc. No. 88-0100

ORDER

On consideration of the application by the Subcommittee on Terrorism, Narcotics and International Operations of the Senate Committee on Foreign Relations, and the memorandum of points and authorities, and exhibits, in support thereof, the Court finds that the procedural requisites set forth in 18

U.S.C. § 6005 have been satisfied. Accordingly, it is this 5th day of April, 1988

ORDERED That Michael B. Palmer may not refuse to testify, and provide other information, at proceedings of the Subcommittee on Terrorism, Narcotics and International Operations of the Senate Committee on Foreign Relations, on the basis of his privilege against self-incrimination, and it is

FURTHER ORDERED That no testimony or other information compelled under this Order (or any information directly or indirectly derived from such testimony or other information) may be used against Michael B. Palmer in any criminal case, except a prosecution for perjury, giving a false statement, or otherwise failing to comply with this Order.

United States District Court

United States District Judge

EXHIBIT NO. 1

EXHIBIT NO. 2

EXHIBIT NO. 3

EXHIBIT NO. 4

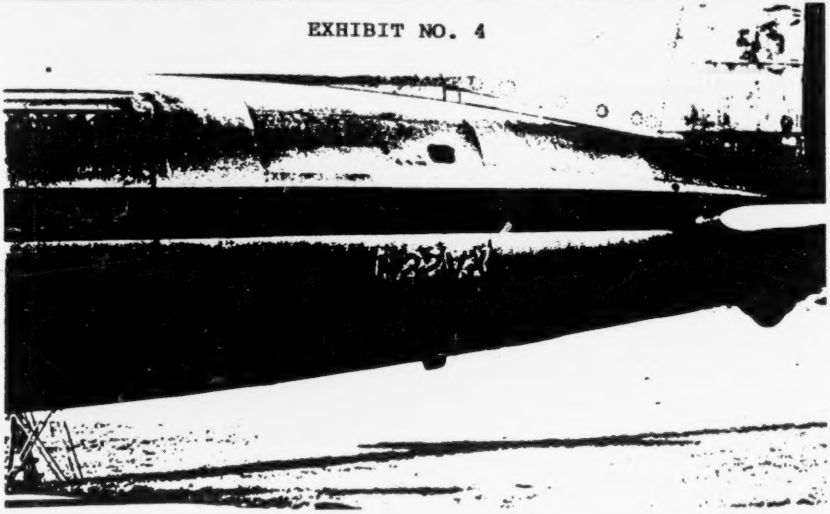


EXHIBIT NO. 5

EXHIBIT NO. 6

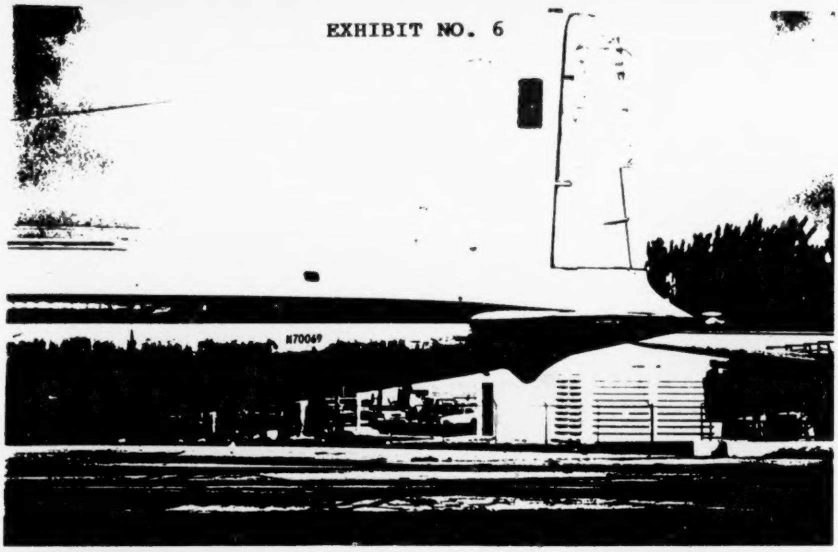


EXHIBIT NO. 7

EXHIBIT NO. 8

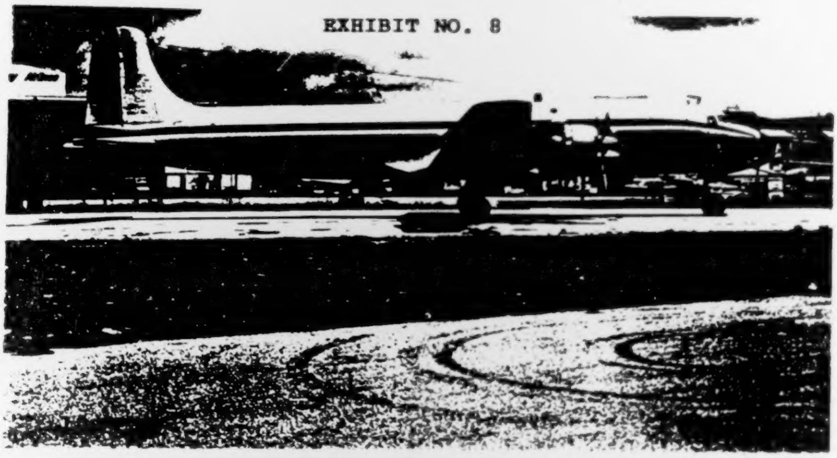


EXHIBIT NO. 9

EXHIBIT NO. 10

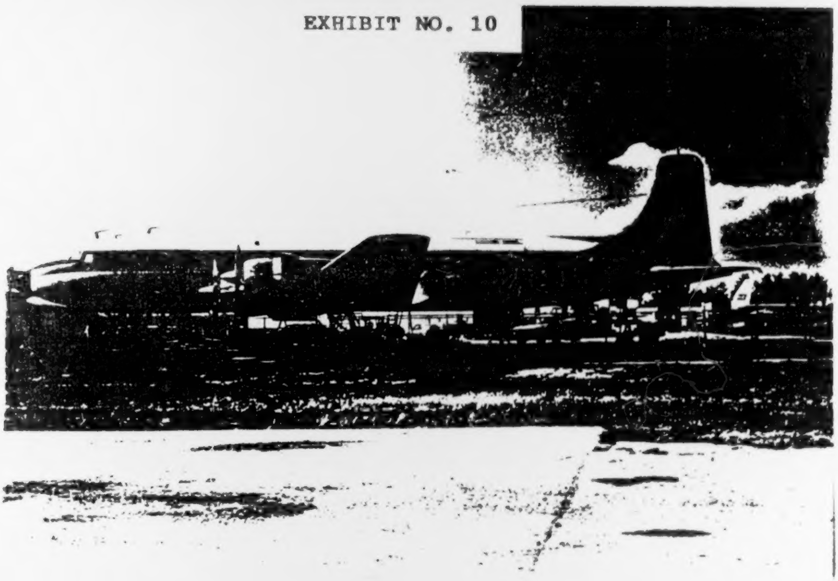


EXHIBIT NO. 11

EXHIBIT NO. 12

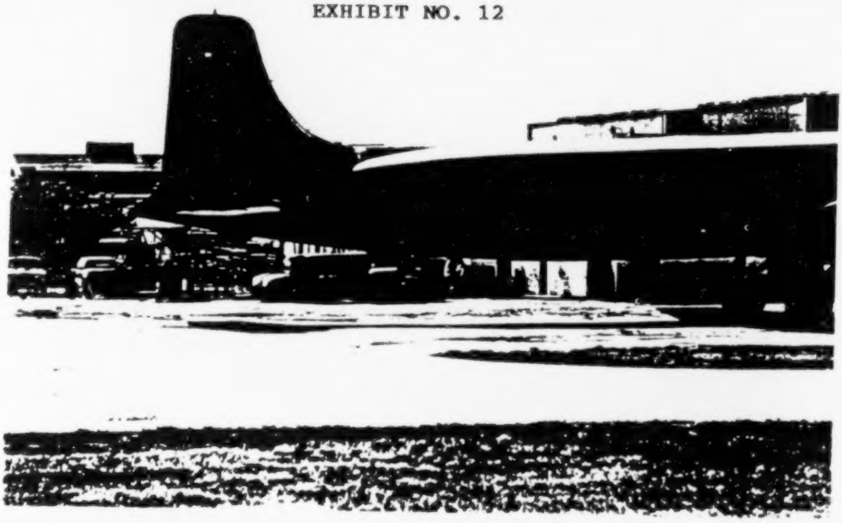
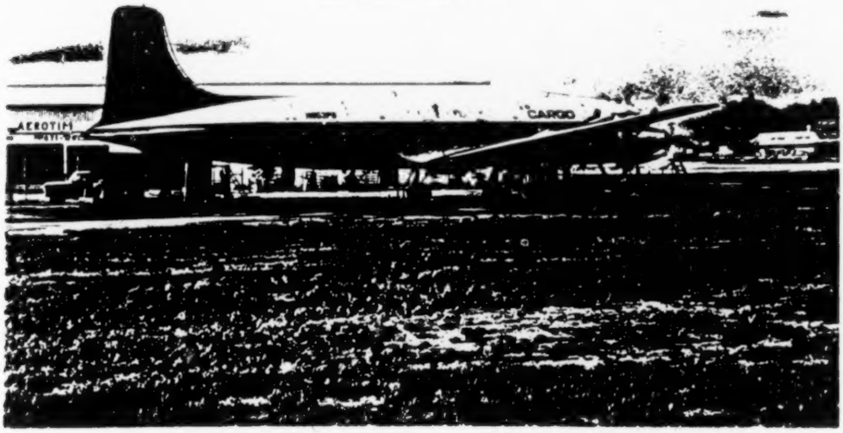


EXHIBIT NO. 13


AEROTIM
CARGO

RECORDS OF VORTEX AIRCRAFT SALES AND LEASING CO.

Vortex
Aircraft Sales and Leasing

Phone: 305/888-1807
Telex: 80-3516

NEW ADDRESS: 6909 N.W. 43rd STREET
MIAMI, FLORIDA. 33166

5245 N.W. 36th Street • Suite 201 • Miami Springs, Florida 33166

R

125

February 21, 1986

Mr. Mario Calero
UNO-FDN Supply Liaison Officer
P.O. Box 952
Kenner, Louisiana 70063

Ref: Pro-forma invoice #6909-1C

Dear Mr. Calero:

Per your request below are quoted prices for air delivery of goods to Central America and associated services.

(15 hrs)

1) DC-4 @ $2.45 per pound, of capacity. 20,000#is max. capacity. $49,000.00 per trip
2) DC-6 @ $2.25 per pound, of capacity. 25,000#is max. capacity. $56,250.00 per trip
3) DC-6A/B @ $2.15 per pound, of capacity. 30,000#is max. capacity. 64,500.00 per trip

Price includes the following:

1) Aircraft
2) Crew of six (6) persons on DC-4 and crew of seven (7) on DC-6's
3) Normal maintenance (3 hours per flight hour).
4) Aircraft insurance
5) Fuel at Miami price of $1.30 per gallon*
6) Oil at Miami price of $3.95 per gallon*
7) Over flight permits where applicable
8) Special Customs clearences
9) Airwaybill and cargo manifest preparation
10) Flight planning
11) Flight dispatching
12) Crew special duty over ride
13) Miami landing fees
14) Air communications and coordination
15) Airport fees for aircraft ramp storage and cargo loading for one day.
16) Crew meals and survival gear.

Not included in the above quoted price is the following:

1) Aircraft standby time beyond one day at $850.00 per day
2) Crew standy time beyond one day at $480.00 per day
3) Any abnormal maintenance as a direct result of these flights @ $30.00 per man/hour plus parts.
4) Installation of any required special equipment at the following rates:
    A) Mechanical or sheet metal @$30.00 per man/hour plus parts.
    B) Radio at $40.00 per man/hour plus parts.
5) *Any fuel and oil purchased at points other than Miami at prices greater than $1.30 per gallon. The difference in fuel price will be paid by the charterer.
6) Off-schedule landing fees or bonding fees will be billed separately by receipt.

Cargo insurance is the responsibility of the shipper. This offer is valid for thirty (30) days.

Truly yours,

VORTEX, INC.

M. B. Palmer

Michael B. Palmer
Vice president

January 10, 1986

Pro Forma-Invoice

Mario Calero
UNO-FDN Supply Liaison Officer
P. O. Box 952
Kenner, La. 70063

Dear Mr. Calero:

Per request, we are in a position to offer air delivery of dry goods. The prices for the specific required services you requested on January 10, 1986 are as follows.

Super C-46 at $1.34 per pound 12000 pounds max capacity
C-123 at $1.31 per pound 20000 pounds max capacity
DC-4 at $1.29 per pound 20000 pounds max capacity
DC-6 at $1.24 per pound 30000 pounds max capacity

Included in these prices are the following:

1. Aircraft
2. Crew
3. Maintenance
4. Aircraft Insurance
5. Flight Dispatching
6. Crew special duty override
7. Over flight permits where applicable
8. Landing fees
9. Off route fuel price override
10. Destination, reserve, alternate and return fuel
11. Special customs clearances
12. Airway bill preparation
13. Communications & Co-ordination
14. Receiving and handling of cargo
15. Airport fees for aircraft ramp storage and cargo loading
16. Cargo ground transportation
17. Cargo handling, aircraft loading and unloading

Not included in the above quote are:

1. Special packing material
2. Special cargo packing containers
3. Unpacking of original shipping containers
4. Repacking of special containers
5. Storage of cargo
6. Cargo security and inbound shipper co-ordination
7. Airport delivery of cargo
8. Aircraft roller egress system

Total @ .13 per pound

Cargo insurance is the responsibility of Intertrans Inc. This offer is valid for two weeks.

Truly yours,

Mike Palmer

M. B. Palmer
Vice President Sales

LIMITED OFFICIAL USE

AIRCRAFT USED BY NHAO

Aircraft Charter Company	Tail No.	Aircraft Type
MARK AIR	N-106 AK	L-100
AIRMACH	N-251 SJ	L-100
"	N-521 SJ	L-100
"	N-520 SJ	L-100
"	N-251-SF	L-100
CONNER AIR	N-37577	DC-6
"	HRAKB	DC-6
"	N28CA	DC-6 *
VORTEX	N625CA	DC-6
"	N97810	DC-4
"	N69026	DC-4
"	N48216	DC-4
AIR CARGO ASSOCIATES	N-106AK	L-100 **

* This aircraft never actual flew. It was loaded and sat on the ground at New Orleans while we waited for to make up its mind.

** Note that this is the same tail-number as the L-100 from Mark Air, because Air Cargo "Leased" it for the flight.

LIMITED OFFICIAL USE

6/

27149

N & G DISTRIBUTING CORP.

Largest Distributor of Yaesu & Swan in the South
7285 N.W. 12th St. Miami, FL 33126
(305) 592-9685 Broward (305) 763-8170
Toll Free # 1-800-327-7326

2-3 1986

Sold To M PALMER VORTEX

Address

QUAN.	DESCRIPTION	PRICE	AMOUNT	
1	28 to 14 VDC CONVERTER	480.00	480	00
			480	00

GRAYARC CO., INC. BROOKLYN, NY 11232 [illegible]

SUPPLIER'S CERTIFICATE AND AGREEMENT WITH THE NICARAGUAN HUMANITARIAN ASSISTANCE OFFICE

Re: Letter of Commitment No. NHAO- 604- 048
Pro-forma Invoice No. 6909-1A, 2A, 3A

The supplier hereby acknowledges that the sum indicated in the above referenced Invoice is claimed to be due and owing under the terms of a sale of commodities and/or services by the supplier to the United Nicaraguan Opposition as specified on the Invoice.

In consideration of the receipt of such sum, the supplier agrees with and certifies to the Nicaraguan Humanitarian Assistance Office ("NHAO") as follows:

1. The undersigned is the supplier of the commodities and/or services indicated on the Invoice, and is entitled to payment under the referenced Letter of Commitment, and is executing this Certificate of Agreement for the purpose of obtaining such payment.

2. To the best of the supplier's information and belief, the cost for the Invoiced commodities/services does not exceed his prevailing market price.

3. Commodities provided pursuant to the Invoice are of merchantable quality and are fit for the purpose intended.

4. The above-referenced Invoice accurately describes the commodities and/or services actually provided and the terms of the sale and delivery.

5. The supplier will, upon the request of NHAO, promptly make appropriate refund to NHAO, plus interest from the time of payment to the supplier, in the event of

(a) his non-performance, in whole or in part, of the terms of the Sale;

(b) any breach by him of any of his undertakings in this Certificate and Agreement, or

(c) any false certification or representation made by him in this Certificate and Agreement or in the Invoice furnished in connection with this transaction.

6. The supplier has not compensated any person to obtain the sale of the commodities/services to be provided pursuant to the Invoice.

7. The supplier will for a period of not less than three (3) years after the date hereof maintain all business records and other documents which bear on his compliance with any of the undertakings and certifications herein and will at any time requested by NHAO make such records and documents available to NHAO or its designee for examination.

The natural person who signs this Certificate and Agreement hereby certifies either that he is the supplier or that he has actual authority to sign on behalf of the supplier and to bind the supplier with regard to all certifications and agreements contained in this Certificate and Agreement.

Michael B. Palmer Vice Pres.
(Name and Title of Authorized Signer)

M. B. Palmer
(Signature)

25 Feb. 86
(Date)

Miami, Florida
(Place executed)

Nicaraguan Humanitarian Assistance Office

LETTER OF COMMITMENT

VORTEX
6905 N.W. 43rd Street
Miami, FL 33166

Date: February 19, 1986

Letter of Commitment No. NHAO - 604 - 048
Value: $97,000.00

Gentlemen:

1. At the request of the United Nicaraguan Opposition (UNO), the Nicaraguan Humanitarian Assistance Office ("NHAO"), acting for the United States of America, hereby guarantees to make payment to you in an amount not to exceed $ 97,000.00 for the purchase of the commodities and/or services listed in Paragraph 2 below. This guarantee is subject to your compliance with conditions hereinafter set forth.

2. The following commodities and/or services are eligible for financing : Per :

a. DESCRIPTION: 1) Ground services to prepare for air delivery per Pro-forma 6909-1A = $19,000. 2) Domestic cargo air charter per Pro-forma 6909-1B = $9,850. 3) Air delivery to Central America per Pro-forma invoice 6909-1C = $49,000. 4) Contingency NTE 20 percent.* Total = $97,000

b. DELIVERY TERMS:

3. Documentation required for payment:

a Original Letter of Commitment, signed and dated.

b. Original and two copies of Supplier's invoice.

c. Copies of shipping documents or Purhaser's (UNO) acknowledgement of receipt of goods.

d. One executed copy of Supplier's Certificate and Agreement with the Nicaraguan Humanitarian Assistance Office (attached).

e. Information required for payment :.
Electronic Fund Transfer Provide the nine (9) digit ABA number, bank name, city and state, and account name and number
ABA #067008414 Capital Bank
5901 NW 36th Street
Miami, Florida 32166
Vortex Inc.
Account #1200001591

*All contingency costs that relate to items under "other services," or "not included in the above quoted prices" shall be supported by original receipts or invoices for materials or services provided under each Pro-forma invoice.

4. **Documents submitted for payment hereunder must be presented not later than March 15, 1986, to the Nicaraguan Humanitarian Assistance Office, Room 228, SA-6, Department of State, Washington, D.C. 20520.The Letter of Commitment Number must appear on all documents. (For express mail service, send to NHAO, Room 228, 1701 N. Ft. Myer Dr. Arlington, VA. 22209)**

5. **Upon receipt of all documents specified in Paragraph 3, NAHO will initiate payment. Payment will not ordinarily**

exceed 7 working days, after receipt of the required documents.

6. Payment hereunder is contingent upon NHAO's written approval of any amendment to the purchase being financed hereunder which is negotiated after the date of issuance of this Letter. NHAO's approval will be indicated by the issuance of an amendment to this Letter of Commitment.

7. Funds due or to become due from NHAO under this Letter of Commitment may be assigned only in accordance with the provisions of the United States Code concerning Assignment of Claims (31 U.S.C. 3727 and 41 U.S.C. 15).

8. Pursuant to authority granted to NHAO by law, NHAO may deduct from and set off against payment specified in Paragraph 1 above any amounts owed by you to NHAO.

9. This letter of Commitment shall become effective upon your acceptance of the terms and conditions set forth above. Acceptance shall be indicated by signing and returning the enclosed original hereof, with the Documentation required for payment per paragraph 3 above, to the address indicated in Paragraph 4 above within two weeks from the date of this letter.

Sincerely yours,

Robert W. Duemling

Director

Accepted: Michael B. Palmer — V.P.
Type name — Position
M. B. Palmer — 21 Feb. 1986
Signature — Date

Vortex
Aircraft Sales and Leasing

Phone: 305/888-1807
Telex: 80-3516

NEW ADDRESS: 6905 N.W. 43rd STREET
MIAMI, FLORIDA 33166

5245 N.W. 36th Street • Suite 201 • Miami Springs, Florida 33166

1C
3-B
R

February 25, 1986

Mr. Phil Buechler
Operations Coordinator
NHAO Office
Arlington, Virginia 22209

Ref: Letter of Commitment
No. NHAO-604-048
Suppliers Invoice #6909-1A

Dear Mr. Buechler:

Below is listed PART I and II of our suppliers Invoice #6909-1A:

PART I.

1. Prepared and loaded on aircraft 15,820 lbs. payload @ .5247/lb	$8300.75

PART II.

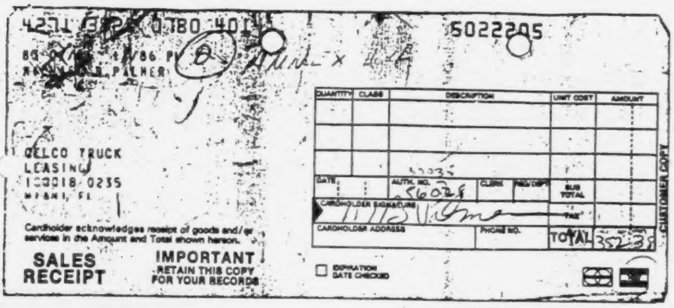
1. Sur-Way Transport (trans-shipment and trucking of 40,992 lbs of cargo from Albany, Ga.) Invoice #2940, 2941 attached copies. Our check #1308.		$3546.60
2. Gelco truck rental (pick up & transfer of goods to and from assembly area). Contract # 798618, copies attached.		352.38
	Fuel ticket #144759	16.50
	Fuel ticket #597979	14.25
3. Assembly area rental, lease agreement attached (copy)		1400.00
4. Special packing containers Inv.#s 15632, 14313 & dely.recpt. attached.		2200.00
5. Egress harware (assembly hardware, rollers, wrenches, paint, etc.) see Annex #6909-1A attached.		1303.08
	TOTAL PART II	$8832.81
Materials and handling	X .1511	1334.64
	TOTAL PART I	8300.75
	GRAND TOTAL.....	$18468.82

Truly yours

VORTEX, INC.
M. B. Palmer
Michael B. Palmer
Vice President

Received
NHAO
DATE 2/25/86
PJBuechler
Ops Coord./NHAO

3-6
(11)



4271 3[illegible] 0780 401 5022205

85 [illegible] /86 P (8) [illegible] x [illegible]

[illegible] PALMER

GELCO TRUCK
LEASING
1C3018-0235
MIAMI, FL

QUANTITY	CLASS	DESCRIPTION	UNIT COST	AMOUNT

DATE | AUTH. NO. 56025 | CLERK | REG./DEPT. | SUB TOTAL

CARDHOLDER SIGNATURE | TAX

CARDHOLDER ADDRESS | PHONE NO. | TOTAL 352.38

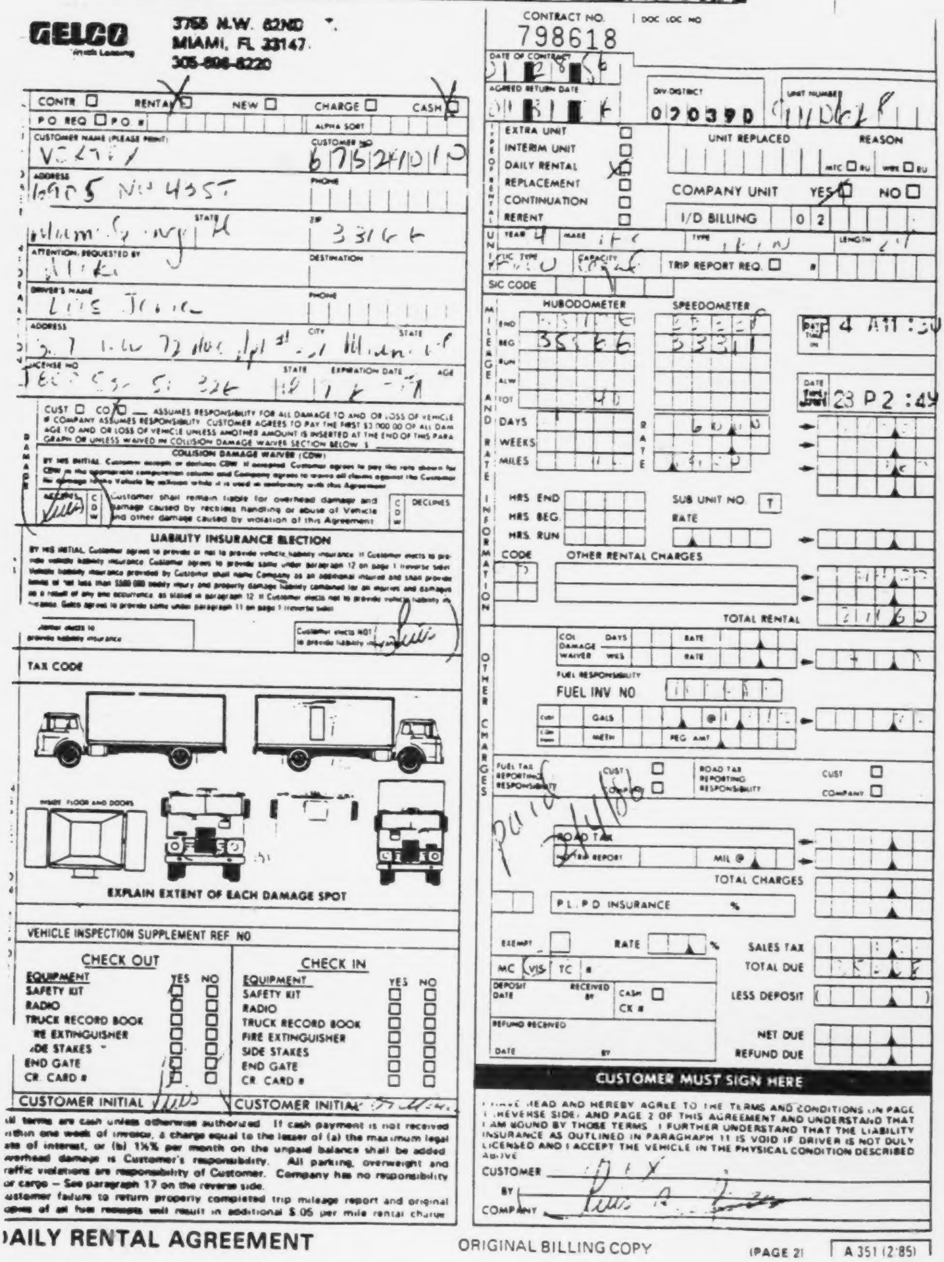
CUSTOMER COPY

Cardholder acknowledges receipt of goods and/or services in the Amount and Total shown hereon.

SALES RECEIPT

IMPORTANT RETAIN THIS COPY FOR YOUR RECORDS

☐ EXPIRATION DATE CHECKED



GELCO Truck Leasing
3755 N.W. 82ND
MIAMI, FL 33147
305-[illegible]-8220

CONTRACT NO. 798618 | DOC LOC NO

CONTR ☐ RENTAL ☒ NEW ☐ CHARGE ☐ CASH ☒

PO REQ ☐ PO # | ALPHA SORT

CUSTOMER NAME (PLEASE PRINT) V[illegible] | CUSTOMER NO 6752410 1 [illegible]

ADDRESS 16905 NW 43 ST [illegible] | PHONE

[illegible] | STATE FL | ZIP 3316[illegible]

ATTENTION, REQUESTED BY [illegible] | DESTINATION

DRIVER'S NAME Luis [illegible] | PHONE

ADDRESS [illegible] | CITY Miami | STATE [illegible]

LICENSE NO [illegible] | STATE [illegible] | EXPIRATION DATE [illegible] | AGE

CUST ☐ CO ☒ ___ ASSUMES RESPONSIBILITY FOR ALL DAMAGE TO AND OR LOSS OF VEHICLE IF COMPANY ASSUMES RESPONSIBILITY CUSTOMER AGREES TO PAY THE FIRST $2,000.00 OF ALL DAMAGE TO AND OR LOSS OF VEHICLE UNLESS ANOTHER AMOUNT IS INSERTED AT THE END OF THIS PARAGRAPH OR UNLESS WAIVED IN COLLISION DAMAGE WAIVER SECTION BELOW $ ______

COLLISION DAMAGE WAIVER (CDW)

BY HIS INITIAL Customer accepts or declines CDW. If accepted Customer agrees to pay the rate shown for CDW in the appropriate computation column and Company agrees to waive all claims against the Customer for damage to the Vehicle by collision while it is used in conformity with this Agreement.

ACCEPTS Luis CDW | Customer shall remain liable for overhead damage and damage caused by reckless handling or abuse of Vehicle and other damage caused by violation of this Agreement | CDW DECLINES

LIABILITY INSURANCE ELECTION

BY HIS INITIAL Customer agrees to provide or not to provide vehicle liability insurance. If Customer elects to provide vehicle liability insurance Customer agrees to provide same under paragraph 12 on page 1 (reverse side). Vehicle liability insurance provided by Customer shall name Company as an additional insured and shall provide limits of not less than $500,000 bodily injury and property damage liability combined for all injuries and damages as a result of any one occurrence as stated in paragraph 12. If Customer elects not to provide vehicle liability insurance, Gelco agrees to provide same under paragraph 11 on page 1 (reverse side).

Customer elects to provide liability insurance | Customer elects NOT to provide liability insurance Luis

TAX CODE

INSIDE FLOOR AND DOORS

EXPLAIN EXTENT OF EACH DAMAGE SPOT

VEHICLE INSPECTION SUPPLEMENT REF NO

CHECK OUT EQUIPMENT	YES	NO	CHECK IN EQUIPMENT	YES	NO
SAFETY KIT	☐	☐	SAFETY KIT	☐	☐
RADIO	☐	☐	RADIO	☐	☐
TRUCK RECORD BOOK	☐	☐	TRUCK RECORD BOOK	☐	☐
FIRE EXTINGUISHER	☐	☐	FIRE EXTINGUISHER	☐	☐
SIDE STAKES	☐	☐	SIDE STAKES	☐	☐
END GATE	☐	☐	END GATE	☐	☐
CR. CARD #	☐	☐	CR. CARD #	☐	☐
CUSTOMER INITIAL Luis			CUSTOMER INITIAL [illegible]		

All terms are cash unless otherwise authorized. If cash payment is not received within one week of invoice, a charge equal to the lesser of (a) the maximum legal rate of interest, or (b) 1½% per month on the unpaid balance shall be added. Overhead damage is Customer's responsibility. All parking, overweight and traffic violations are responsibility of Customer. Company has no responsibility for cargo — See paragraph 17 on the reverse side. Customer failure to return properly completed trip mileage report and original copies of all fuel receipts will result in additional $.05 per mile rental charge.

DATE OF CONTRACT 01 28 86

AGREED RETURN DATE 01 31 86

DIV-DISTRICT 02039D | UNIT NUMBER [illegible]

TYPE OF RENTAL:
EXTRA UNIT ☐
INTERIM UNIT ☐
DAILY RENTAL ☒
REPLACEMENT ☐
CONTINUATION ☐
RERENT ☐

UNIT REPLACED | REASON MTC ☐ RU | WRK ☐ RU

COMPANY UNIT YES ☒ NO ☐

I/D BILLING 0 2

UNIT: YEAR 4 | MAKE [illegible] | TYPE [illegible] | LENGTH [illegible]

VEHIC TYPE [illegible] | CAPACITY [illegible] | TRIP REPORT REQ. ☐ #

SIC CODE

MILEAGE AND RATE INFORMATION

	HUBODOMETER	SPEEDOMETER
END	[illegible]	[illegible]
BEG	35566	33311
RUN		
ALW		
TOT	40	

DATE TIME IN [illegible] 4 AM :30

DATE TIME OUT [illegible] 23 P 2 :49

		RATE	
DAYS	1	60.00	[illegible]
WEEKS			
MILES	[illegible]	.[illegible]	[illegible]

HRS. END | HRS. BEG. | HRS. RUN

SUB UNIT NO. T | RATE

CODE | OTHER RENTAL CHARGES

TOTAL RENTAL [illegible]

OTHER CHARGES

COL DAMAGE WAIVER DAYS | RATE | WKS | RATE

FUEL RESPONSIBILITY
FUEL INV NO [illegible]

CUST GALS @ | CO METH | REG AMT

FUEL TAX REPORTING RESPONSIBILITY CUST ☐ COMPANY ☐ | ROAD TAX REPORTING RESPONSIBILITY CUST ☐ COMPANY ☐

paid 2/4/86

ROAD TAX

NO TRIP REPORT | MIL @

TOTAL CHARGES

P.L.P.D INSURANCE %

EXEMPT | RATE % | SALES TAX

MC VIS TC # | TOTAL DUE [illegible]

DEPOSIT DATE | RECEIVED BY | CASH ☐ CK # | LESS DEPOSIT ( )

REFUND RECEIVED DATE BY | NET DUE | REFUND DUE

CUSTOMER MUST SIGN HERE

I HAVE READ AND HEREBY AGREE TO THE TERMS AND CONDITIONS ON PAGE 1 (REVERSE SIDE) AND PAGE 2 OF THIS AGREEMENT AND UNDERSTAND THAT I AM BOUND BY THOSE TERMS. I FURTHER UNDERSTAND THAT THE LIABILITY INSURANCE AS OUTLINED IN PARAGRAPH 11 IS VOID IF DRIVER IS NOT DULY LICENSED AND I ACCEPT THE VEHICLE IN THE PHYSICAL CONDITION DESCRIBED ABOVE

CUSTOMER [illegible]
BY
COMPANY Luis A. [illegible]

DAILY RENTAL AGREEMENT ORIGINAL BILLING COPY (PAGE 2) A 351 (2/85)

LEASE AGREEMENT FORM

TO BE FILLED OUT BY WAREHOUSE REPRESENTATIVE

Landlord: WAREHOUSE MILAN 56 LTD

Tenant: ALBERTO HERREROS

Business Name: SOUTHERN AIR EQUIPMENT

Warehouse Space Located at: 5526 N.W. 72 AVE.

Warehouse sq. ft. 1) 2,400

Total Bldg. sq. ft. 2) ______ % ______ (1 divided 2 = %)

Term: Month By Month ~~Years~~ - Beginning on: FEB. 1°

Monthly Rent (Net): $ 700.00 Beginning: FEB 1°

Options (if Applicable): ______

Payments to be Mailed To: ______

Security Deposit in the Amount of: $ 700.00

Warehouse Space to be used for: STORAGE

TO BE COMPLETELY FILLED OUT BY TENANT

NOTE: FOR CORPORATIONS - PROOF OF INCORPORATION MUST BE PROVIDED ALONG WITH CURRENT FINANCIAL REPORT.

Tenants Full Name: ALBERTO HERREROS Date of Birth: 7-7-192

Business Name: SOUTHERN AIR EQUIPMENT

Present Business Address: 6905 N.W. 43 St. Phone: 592 5001

Present Home Address: 8320 S.W. 83 St. Phone: 5960557

Previous Address (if less than 2 yrs.): ______

Social Security #: 578-38-5596 Driver's License #: H 6-62-015-21-217-E17 State: FLA

ADDITIONAL ADDRESS FOR EMERGENCY CONTACT

Name: ______ Relation: ______

Address: ______ Phone: ______

Warehouse Space to be used for: Storage

TO BE COMPLETELY FILLED OUT BY TENANT

NOTE: FOR CORPORATIONS - PROOF OF INCORPORATION MUST BE PROVIDED ALONG WITH CURRENT FINANCIAL REPORT.

Tenants Full Name: ALBERTO HERREROS Date of Birth: 7-7-192

Business Name: SOUTHERN AIR EQUIPMENT

Present Business Address: 6905 NW. 43 St. Phone: 592 5001

Present Home Address: 8320 S.W. 83 St. Phone: 5960557

Previous Address (if less than 2 yrs.):

Social Security #: 578-38-5296 Driver's License #: 6-62-015-21-217-517 State: FLA

ADDITIONAL ADDRESS FOR EMERGENCY CONTACT

Name: Relation:

Address: Phone:

OFFICE USE ONLY

Prepared by: Date

Reviewed by: Date Approval

Lease prepared by: Date

I HEREBY AUTHORIZE the Landlord noted above or its agent(s) to inquire into the credit history of myself and my business.

X , Tenant

Dated this 25 day of Jan., 1986

352

TO VORTEX
C/o MIKE PALMER

FROM K-n-G SPECIALISTS 3-E
⑬

SUBJECT

DATE 2/3/86

MESSAGE

100 - 30×40 NYLON DRAWSTRING BAGS.
@ 4.00 =$400.00
paid 2-3-86 MP

SIGNED

REPLY

x M Palmer

SIGNED

DATE / /

SEND PARTS 1 AND 3 WITH CARBON INTACT - PART 3 WILL BE RETURNED WITH REPLY

Redityps ® 4X460

DETACH AND FILE FOR FOLLOW-UP

SporTex

BAG SPECIALISTS INC

P.O. Box 804
491 Washington Ave.
Carlstadt, NJ 07072
(201) 933-6969

INVOICE DATE	INVOICE NO.
2-3-86	14313

SOLD TO: VORTEX INC
6905 NW 43rd ST
MIAMI, FL 33166

SHIP TO:

SHIPPING INSTRUCTIONS PICK UP		ACCOUNT NO	FACTORY ORDER NO.
SHIPPING DATE 1-30	ORDER NO	DEPT	SALESMAN

TERMS NET 30 DAYS
F.O.B. FACTORY

STYLE	QUANTITY	DESCRIPTION	PRICE	TOTAL
30x40	200	ASSORTED NYLON BAGS W/ CORD & CLOSURE	4.00	$ 800.00
				$ 800.00

NO RETURNS WITHOUT PRIOR WRITTEN AUTHORIZATION
ANY DISCREPANCY MUST BE REPORTED WITHIN 15 DAYS OF SHIPMENT

ORDER COMPLETE ☐

rec 2/6/86

BALANCE TO FOLLOW ☐

Vortex
Aircraft Sales and Leasing

Phone: 305/888-180?
Telex: 80-3516

NEW ADDRESS: 6905 N.W. 43rd STREET
MIAMI, FLORIDA. 33166

5245 N.W. 36th Street • Suite 201 • Miami Springs, Florida 33166

February 25, 1986

Mr. Phil Buechler
Operations Coordinator
NHAO Office
Arlington, Virginia 22209

Ref: Letter of Commitment
No. NHAO-604-048
Suppliers Invoice #6909-1B

Dear Mr. Buechler:

Below are listed prices and fees associated with Pro-forma Invoice #6909-1B.

1.	Domestic Cargo Air Lease MIA-ATL-MIA DC-4, (9) nine hours @ $985.00 per block hour	$8,865.00
2.	Difference in fuel per enclosed invoice #5621371 @ $1.76 minus $1.30 X 1896 =	872.16
3.	Difference in oil per enclosed invoice #5621371 & $5.18 minus $3.95 X 60 =	73.80
	TOTAL	$9,810.96

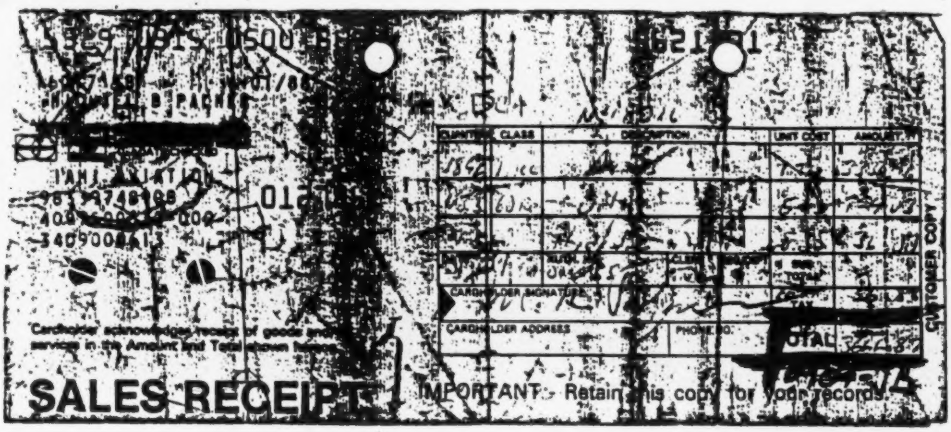
THANK YOU!

Truly yours

VORTEX, INC.
M. B. Palmer

Michael B. Palmer
Vice President

Received
NHAO
DATE 2/25/86
P. J. Buechler
Ops. Coord./NHAO



[redacted]

QUANTITY	CLASS	DESCRIPTION	UNIT COST	AMOUNT
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CARDHOLDER SIGNATURE

CARDHOLDER ADDRESS

PHONE NO.

TOTAL [illegible]

Cardholder acknowledges receipt of goods and services in the Amount and Total shown hereon.

SALES RECEIPT

IMPORTANT - Retain this copy for your records.

CUSTOMER COPY

Phone: 305/888-1807
Telex: 80-3516

Vortex
Aircraft Sales and Leasing

NEW ADDRESS: 6905 N.W. 43rd STREET
MIAMI, FLORIDA. 33166

5245 N.W. 36th Street • Suite 201 • Miami Springs, Florida 33166

February 25, 1986

Mr. Phil Buechler
Operations Coordinator
NHAO Office
Arlington, Virginia 22209

Ref: Letter of Commitment
No. NHAO-604-048
Suppliers Invoice #6909-1C

Dear Mr. Buechler:

Below are listed prices for air delivery to Central America as per suppliers Invoice #6909-1C:

ITEM 1. DC-4 air delivery of goods to Central America and associated services in pro-forma invoices #6909-1C. (Total flight time was 15.5 hrs.)	$49,000.00
ITEM 2. A) Aircraft standby time at $850.00 per day 1/31 through 2/4/86 and 2/12 through 2/15/86 (9) nine days total	7,650.00
B) Crew standby time at $480.00 per day 1/31 through 2/4/86 (5) five days total	2,400.00
C) Abnormal maintenance as a direct result of the flight at $30.00 per man/hour.	
Aileron and elevator repair (22 man/hours)	660.00
Wing fuel tank repair (8 man/hours)	240.00
Parts (sheetmetal, rivets, fabric, dope, etc)	200.00
Engine work in excess of 3 hours per flight hour (152 man/hours)	4,560.00
D) Installation of requested radio equipment, antenna and associated equipment.	
(11 man/hours) Radio	440.00
(2 man/hours) Sheetmetal	60.00
Materials: coverters etc. see expenses.	
E) Additional expenses for fuel price differences, bonding fees and other associated expenses are listed on expense sheet #6909-1C.	3,472.05
	$68,682.05

THANK YOU!

~~VORTEX~~ INC. R. Palmer

Received
NHAO
DATE 2/26/86
P J Buechler
OPS. Coord/NHAO

271 3828 0780 4014 0C4000 5091893 013186

OAA
/
IVERDALE MD 12-86

6909-1C
115034507 173279 VISA DEBIT

AUTHORIZATION NO.	DATE	DEPT./NO.	CLERK'S NO.	CLERK'S INIT.	SEND	TAKE
72972	1-31-86	3314		MN		

QUAN.	DESCRIPTION	UNIT COST	AMOUNT
8	AERO VISUAL		
	TPC K. 25. B	5.00	40.00
TERMS AND CONDITIONS APPLICABLE TO THIS SALE ARE IN ACCORDANCE WITH YOUR AGREEMENT WITH THE BANK WHICH ISSUED YOUR CARD.		SUB TOTAL	
		TAX	
x Phone Order Purchaser Accepts SALE CONFIRMED AND DRAFT ACCEPTED		TOTAL	$40.00

SALES DRAFT - CUSTOMER'S COPY

. ICHAEL B. PALMER
6905 N.W. 43RD. ST.
MIAMI, FL 33166

VISA MasterCard
ES DRAFT

RETAIN THIS COPY FOR STATEMENT VERIFICATION

Nicaraguan Humanitarian Assistance Office

LETTER OF COMMITMENT

Vortex, Inc.
6905 N.W. 43rd Street
Miami, FL 33166

Date: January 10, 1986

Letter of Commitment No. NHAO - 606 - 008
Value: $ 7070.00

Gentlemen:

1. At the request of the United Nicaraguan Opposition (UNO), the Nicaraguan Humanitarian Assistance Office ("NHAO"), acting for the United States of America, hereby guarantees to make payment to you in an amount not to exceed $7070.00 for the purchase of the commodities and/or services listed in Paragraph 2 below. This guarantee is subject to your compliance with conditions hereinafter set forth.

2. The following commodities and/or services are eligible for financing : Per : Vortex letter of January 10, 1986

   a. DESCRIPTION: Labor, materials, storage, trucking, documentation/communication, overhead and profit, for the receipt, handling, unpacking of NHAO - material and medical supplies.

   b. DELIVERY TERMS: As requested between January 10 and January 24, 1986

3. Documentation required for payment:

   a Original Letter of Commitment, signed and dated.

   b. Original and two copies of Supplier's invoice.

   c. Copies of shipping documents or Purhaser's (UNO) acknowledgement of receipt of goods.

   d. One executed copy of Supplier's Certificate and Agreement with the Nicaraguan Humanitarian Assistance Office (attached).

   e. Information required for payment :.
      Electronic Fund Transfer Provide the nine (9) digit ABA number, bank name, city and state, and account name and number
      ABA #067008414, Capitol Bank.

      5901 N.W. 36th Street, Miami, FL 32166

      For the Account of Vortex, Inc., No. 1200001591

4. Documents submitted for payment hereunder must be presented not later than Mar. 15, 1986 to the Nicaraguan Humanitarian Assistance Office, Room 228, SA-6, Department of State, Washington, D.C. 20520.The Letter of Commitment Number must appear on all documents. (FOR EXPRESS MAIL SERVICE, send to NHAO, Room 228, 1701 N. Ft. Myer Dr. Arlington, VA. 22209)

5. Upon receipt of all documents specified in Paragraph 3, NAHO will initiate payment. Payment will not ordinarily exceed 7 working days, after receipt of the required documents.

6. Payment hereunder is contingent upon NHAO's written approval of any amendment to the purchase being financed hereunder which is negotiated after the date of issuance of this Letter. NHAO's approval will be indicated by the issuance of an amendment to this Letter of Commitment.

7. Funds due or to become due from NHAO under this Letter of Commitment may be assigned only in accordance with the provisions of the United States Code concerning Assignment of Claims (31 U.S.C. 3727 and 41 U.S.C. 15).

8. Pursuant to authority granted to NHAO by law, NHAO may deduct from and set off against payment specified in Paragraph 1 above any amounts owed by you to NHAO.

9. This letter of Commitment shall become effective upon your acceptance of the terms and conditions set forth above. Acceptance shall be indicated by signing and returning the enclosed original hereof, with the Documentation required for payment per paragraph 3 above, to the address indicated in Paragraph 4 above within two weeks from the date of this letter.

Sincerely yours,

RW Duemling 1/17

Robert W. Duemling
Director

Accepted: M. B. Palmer
Type name
Vice President
Position
M. B. Palmer
Signature
1/17/86
Date

Vortex
Aircraft Sales and Leasing

Phone: 305/888-1807
Telex: 80-3516

NEW ADDRESS: 6905 N.W.43rd Street
Miami, Fl. 33166

5245 N.W. 36th Street • Suite 201 • Miami Springs, Florida 33166

January 20, 1986

Mr. Phil Buechler
Operations Coordinator
NHAO Office
Arlington, Va. 22209

RE: Supplier's Descriptive Invoice

Dear Mr. Buechler,

Per you letter of commitment No. NHAO - 606 - 008 and our subsequent discussion, below please find a further breakdown of our charges originally quoted at .13 per pound.

1.	3 day storage and security for 2 semi trailers, driver overide for overnight expense and unloading assistance	$ 700.00
2.	10 people at various times 4 days	2,750.00
3.	communications	300.00
4.	two trucks (1 two days, 1 one day)	270.00
5.	100 steel drums with lids @ $13.50 ea.	1,350.00
6.	warehouse rental 1 week	300.00
7.	packing material	400.00
8.	overhead and profit	1,000.00
	Total	$7,070.00

Sincerely yours,

Mike Palmer

Michael B. Palmer
Vice President

MBP/sm

SUPPLIER'S CERTIFICATE AND AGREEMENT WITH THE NICARAGUAN HUMANITARIAN ASSISTANCE OFFICE

Re: Letter of Commitment No. NHAO-606-008
Invoice No. VORTEX Letter of Jan. 10, 1986

The supplier hereby acknowledges that the sum indicated in the above referenced Invoice is claimed to be due and owing under the terms of a sale of commodities and/or services by the supplier to the United Nicaraguan Opposition as specified on the Invoice.

In consideration of the receipt of such sum, the supplier agrees with and certifies to the Nicaraguan Humanitarian Assistance Office ("NHAO") as follows:

1. The undersigned is the supplier of the commodities and/or services indicated on the Invoice, and is entitled to payment under the referenced Letter of Commitment, and is executing this Certificate of Agreement for the purpose of obtaining such payment.

2. To the best of the supplier's information and belief, the cost for the Invoiced commodities/services does not exceed his prevailing market price.

3. Commodities provided pursuant to the Invoice are of merchantable quality and are fit for the purpose intended.

4. The above-referenced Invoice accurately describes the commodities and/or services actually provided and the terms of the sale and delivery.

5. The supplier will, upon the request of NHAO, promptly make appropriate refund to NHAO, plus interest from the time of payment to the supplier, in the event of

(a) his non-performance, in whole or in part, of the terms of the Sale;

(b) any breach by him of any of his undertakings in this Certificate and Agreement, or

(c) any false certification or representation made by him in this Certificate and Agreement or in the Invoice furnished in connection with this transaction.

6. The supplier has not compensated any person to obtain the sale of the commodities/services to be provided pursuant to the Invoice.

7. The supplier will for a period of not less than three (3) years after the date hereof maintain all business records and other documents which bear on his compliance with any of the undertakings and certifications herein and will at any time requested by NHAO make such records and documents available to NHAO or its designee for examination.

The natural person who signs this Certificate and Agreement hereby certifies either that he is the supplier or that he has actual authority to sign on behalf of the supplier and to bind the supplier with regard to all certifications and agreements contained in this Certificate and Agreement.

M. B. Palmer Vice President
(Name and Title of Authorized Signer)

M. B. Palmer 1-17-86
(Signature) (Date)

Miami, Florida
(Place executed)

Nicaraguan Humanitarian Assistance Office

LETTER OF COMMITMENT

VORTEX
6905 N.W. 43rd Street
Miami, FL 33166

Date: March 17, 1986

Letter of Commitment No. NHAO - 608 - 010
Value: $ 94,796.82

Gentlemen:

1. At the request of the United Nicaraguan Opposition (UNO), the Nicaraguan Humanitarian Assistance Office ("NHAO"), acting for the United States of America, hereby guarantees to make payment to you in an amount not to exceed $ 94,796.82 for the purchase of the commodities and/or services listed in Paragraph 2 below. This guarantee is subject to your compliance with conditions hereinafter set forth.

2. The following commodities and/or services are eligible for financing : Per : Supplier's invoices 6909-2A, 6909-2C, 6909-2D and 6909-2E.

a. DESCRIPTION:
1) General services to prepare and load aircraft = $ 4,640.00
2) Misc. supplies and services = 4,639.27
3) Air delivery of supplies to Central America = 49,000.00
4) Air delivery of supplies, second sorties = 29,000.00
b. DELIVERY TERMS: [As requested] 5) Standby, maintenance and operational costs = 7,517.55

TOTAL:$94,796.82

3. Documentation required for payment:

a Original Letter of Commitment, signed and dated.

b. Original and two copies of Supplier's invoice.

c. Copies of shipping documents or Purhaser's (UNO) acknowledgement of receipt of goods.

d. One executed copy of Supplier's Certificate and Agreement with the Nicaraguan Humanitarian Assistance Office (attached).

e. Information required for payment :.
Electronic Fund Transfer Provide the nine (9) digit ABA number, bank name, city and state, and account name and number
ABA #067008414 Capital Bank
5901 N.W. 36th Street
MIAMI, FLORIDA 33166

VORTEX, INC.
Account #1200001591

4. Documents submitted for payment hereunder must be presented not later than March 31, 1986 to the Nicaraguan Humanitarian Assistance Office, Room 228, SA-6, Department of State, Washington, D.C. 20520.The Letter of Commitment Number must appear on all documents. (FOR EXPRESS MAIL SERVICE, send to NHAO, Room 228, 1701 N. Ft. Myer Dr. Arlington, VA. 22209)

5. Upon receipt of all documents specified in Paragraph 3, NAHO will initiate payment. Payment will not ordinarily exceed 7 working days, after receipt of the required documents.

6. Payment hereunder is contingent upon NHAO's written approval of any amendment to the purchase being financed hereunder which is negotiated after the date of issuance of this Letter. NHAO's approval will be indicated by the issuance of an amendment to this Letter of Commitment.

7. Funds due or to become due from NHAO under this Letter of Commitment may be assigned only in accordance with the provisions of the United States Code concerning Assignment of Claims (31 U.S.C. 3727 and 41 U.S.C. 15).

8. Pursuant to authority granted to NHAO by law, NHAO may deduct from and set off against payment specified in Paragraph 1 above any amounts owed by you to NHAO.

9. This letter of Commitment shall become effective upon your acceptance of the terms and conditions set forth above. Acceptance shall be indicated by signing and returning the enclosed original hereof, with the Documentation required for payment per paragraph 3 above, to the address indicated in Paragraph 4 above within two weeks from the date of this letter.

Sincerely yours,

R.W. Duemling
Robert W. Duemling
Director

Accepted: MICHAEL B. PALMER — VP
Type name — Position
M. B. Palmer — 3/19/86
Signature — Date

SUPPLIER'S CERTIFICATE AND AGREEMENT WITH THE NICARAGUAN HUMANITARIAN ASSISTANCE OFFICE

Re: Letter of Commitment No. NHAO-608 - 010
Invoice No. 6909-2A, 6909-2C, 6909-2D and 6909-2E

The supplier hereby acknowledges that the sum indicated in the above referenced Invoice is claimed to be due and owing under the terms of a sale of commodities and/or services by the supplier to the United Nicaraguan Opposition as specified on the Invoice.

In consideration of the receipt of such sum, the supplier agrees with and certifies to the Nicaraguan Humanitarian Assistance Office ("NHAO") as follows:

1. The undersigned is the supplier of the commodities and/or services indicated on the Invoice, and is entitled to payment under the referenced Letter of Commitment, and is executing this Certificate of Agreement for the purpose of obtaining such payment.

2. To the best of the supplier's information and belief, the cost for the Invoiced commodities/services does not exceed his prevailing market price.

3. Commodities provided pursuant to the Invoice are of merchantable quality and are fit for the purpose intended.

4. The above-referenced Invoice accurately describes the commodities and/or services actually provided and the terms of the sale and delivery.

5. The supplier will, upon the request of NHAO, promptly make appropriate refund to NHAO, plus interest from the time of payment to the supplier, in the event of

(a) his non-performance, in whole or in part, of the terms of the Sale;

(b) any breach by him of any of his undertakings in this Certificate and Agreement, or

(c) any false certification or representation made by him in this Certificate and Agreement or in the Invoice furnished in connection with this transaction.

6. The supplier has not compensated any person to obtain the sale of the commodities/services to be provided pursuant to the Invoice.

7. The supplier will for a period of not less than three (3) years after the date hereof maintain all business records and other documents which bear on his compliance with any of the undertakings and certifications herein and will at any time requested by NHAO make such records and documents available to NHAO or its designee for examination.

The natural person who signs this Certificate and Agreement hereby certifies either that he is the supplier or that he has actual authority to sign on behalf of the supplier and to bind the supplier with regard to all certifications and agreements contained in this Certificate and Agreement.

MICHAEL B. PALMER VP
(Name and Title of Authorized Signer)

M. B. Palmer 3/19/86
(Signature) (Date)

MIAMI, FLORIDA
(Place executed)

iELCO Truck Leasing
3755 N.W. 82ND ST.
MIAMI, FL 33147
305-696-8220

CONTR. ☐ RENTAL ☒ NEW ☒ CHARGE ☐ CASH ☒

P.O. REQ. ☐ P.O. #

ALPHA SORT

CUSTOMER NAME (PLEASE PRINT): VORTEX

CUSTOMER NO

6405 NW 43 ST

PHONE: 592-5001

CITY: Miami STATE: Fl ZIP: 33166

ATTENTION REQUESTED BY: MIKE PALMER.

DESTINATION

DRIVER'S NAME: JAIME E ORELLANA

PHONE

ADDRESS: 2613 [illegible] DR. [illegible] Fl

CITY STATE

LICENSE NO: 0445-475-32-170 STATE: Fl EXPIRATION DATE: 87 AGE

CONTRACT NO. 799454

DOC LOC NO: PROJECT # 6909-2 5-C

DATE OF CONTRACT: 03 01 86

AGREED RETURN DATE: 03 03 86

DIV DISTRICT: 070390

UNIT NUMBER: 940261 (23) R

TYPE OF RENTAL:
- EXTRA UNIT ☐
- INTERIM UNIT ☐
- DAILY RENTAL ☒
- REPLACEMENT ☐
- CONTINUATION ☐
- RERENT ☐

UNIT REPLACED REASON

COMPANY UNIT YES ☐ NO ☐

I/D BILLING 0 2

UNIT: YEAR 84 MAKE IHC TYPE TKVN LENGTH 20'

LIC FLA CAPACITY 12000 TRIP REPORT REQ. ☐ #

SIC CODE

MAR 4 P1

DATE TIME IN

DATE TIME OUT 1 A11

MILEAGE AND RATE INFORMATION

	HUBODOMETER	SPEEDOMETER
END	42420	44321
BEG	42396	44297
RUN		
N/W		
TOT	24	

		RATE	
DAYS	02	55.00	110.00
WEEKS			
MILES	24	.19	4.56

HRS. END
HRS. BEG.
HRS. RUN

SUB UNIT NO. T
RATE

CODE	OTHER RENTAL CHARGES	
CD		22.00
	TOTAL RENTAL	136.56

OTHER CHARGES

COL DAMAGE WAIVER DAYS RATE / WKS RATE

FUEL RESPONSIBILITY
FUEL INV. NO. 419816

GALS 2.119 — 2.55

METH PRG AMT

FUEL TAX REPORTING RESPONSIBILITY CUST ☐ COMPANY ☐

ROAD TAX REPORTING RESPONSIBILITY CUST ☐ COMPANY ☐

ROAD TAX

NO TRIP REPORT MIL @

TOTAL CHARGES

P.L./P.D. INSURANCE

EXEMPT ☐ RATE 5.0 %

SALES TAX 6.8

TOTAL DUE 145.7

LESS DEPOSIT

NET DUE

REFUND DUE

MC [✓ VIS] TC #

DEPOSIT DATE RECEIVED BY CASH ☐ CK #

REFUND RECEIVED DATE BY

CUSTOMER MUST SIGN HERE

I HAVE READ AND HEREBY AGREE TO THE TERMS AND CONDITIONS ON PAGE 1 (REVERSE SIDE) AND PAGE 2 OF THIS AGREEMENT AND UNDERSTAND THAT I AM BOUND BY THOSE TERMS. I FURTHER UNDERSTAND THAT THE LIABILITY INSURANCE AS OUTLINED IN PARAGRAPH 11 IS VOID IF DRIVER IS NOT DULY LICENSED AND I ACCEPT THE VEHICLE IN THE PHYSICAL CONDITION DESCRIBED ABOVE

CUSTOMER: VORTEX

BY: Jaime E. Orellana

COMPANY

ORIGINAL BILLING COPY (PAGE 2) A-351

CUSTOMER COPY

QUANTITY	CLASS	DESCRIPTION	UNIT COST	AMOUNT
		# 799454		
DATE	AUTH. NO. 55663	CLERK	REG/DEPT	SUB TOTAL	
CARDHOLDER SIGNATURE				TAX	1
CARDHOLDER ADDRESS		PHONE NO.		TOTAL	145.7

☐ EXPIRATION DATE CHECKED

SALES RECEIPT

IMPORTANT
RETAIN THIS COPY FOR YOUR RECORDS

Cardholder acknowledges receipt of goods and/or services in the Amount and Total shown hereon.

YES NO
☐ ☐
☐ ☐
☐ ☐
☐ ☐
☐ ☐
☐ ☐
☐ ☐

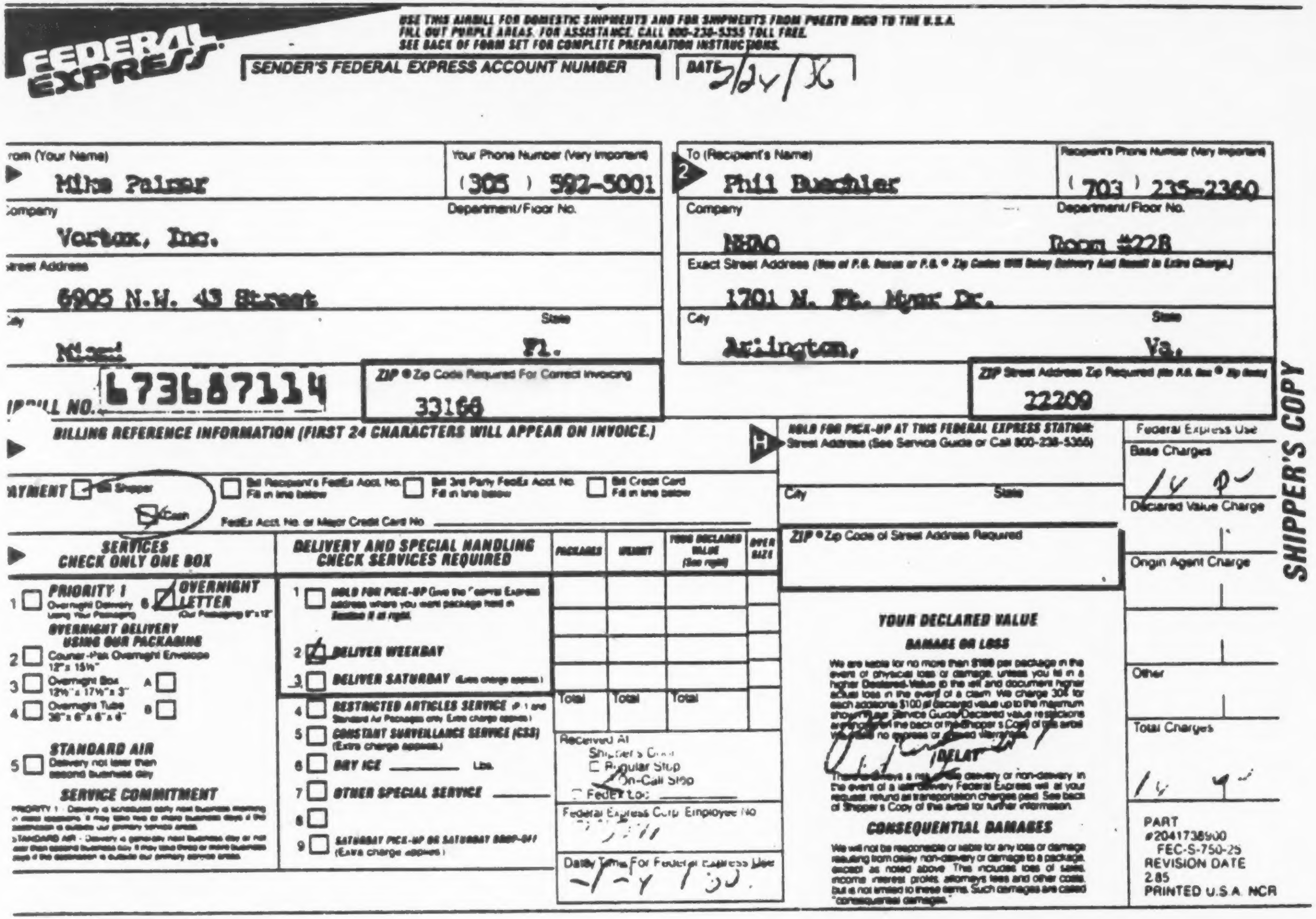
ELCO TRUCK LEASING

4017 1730 33 271
3/01/86 2/36 PV

50222.2

PROJECT-#6909-2

Project 6909-2
[illegible] CC paid



FEDERAL EXPRESS

USE THIS AIRBILL FOR DOMESTIC SHIPMENTS AND FOR SHIPMENTS FROM PUERTO RICO TO THE U.S.A.
FILL OUT PURPLE AREAS. FOR ASSISTANCE, CALL 800-238-5355 TOLL FREE.
SEE BACK OF FORM SET FOR COMPLETE PREPARATION INSTRUCTIONS.

SENDER'S FEDERAL EXPRESS ACCOUNT NUMBER

DATE 2/24/86

rom (Your Name) Mike Palmer
Your Phone Number (Very Important) (305) 592-5001
ompany Vortex, Inc.
Department/Floor No.
reet Address 6905 N.W. 43 Street
ity Miami
State Fl.
ZIP ® Zip Code Required For Correct Invoicing 33166

ILL NO. 673687114

2 To (Recipient's Name) Phil Buechler
Recipient's Phone Number (Very Important) (703) 235-2360
Company NHAO
Department/Floor No. Room #22B
Exact Street Address (Use of P.O. Boxes or P.O. ® Zip Codes Will Delay Delivery And Result In Extra Charge.) 1701 N. Ft. Myer Dr.
City Arlington,
State Va.
ZIP Street Address Zip Required (No P.O. Box ® Zip Codes) 22209

BILLING REFERENCE INFORMATION (FIRST 24 CHARACTERS WILL APPEAR ON INVOICE.)

H HOLD FOR PICK-UP AT THIS FEDERAL EXPRESS STATION: Street Address (See Service Guide or Call 800-238-5355)
City
State
ZIP ® Zip Code of Street Address Required

AYMENT ☑ Bill Shipper ☑ Cash ☐ Bill Recipient's FedEx Acct. No. Fill in line below ☐ Bill 3rd Party FedEx Acct. No. Fill in line below ☐ Bill Credit Card Fill in line below

FedEx Acct. No. or Major Credit Card No

SERVICES
CHECK ONLY ONE BOX

1 ☐ PRIORITY 1 Overnight Delivery Using Your Packaging
6 ☑ OVERNIGHT LETTER (Our Packaging 9" x 12")

OVERNIGHT DELIVERY USING OUR PACKAGING
2 ☐ Courier-Pak Overnight Envelope 12" x 15½"
3 ☐ Overnight Box 12¼" x 17½" x 3" A ☐
4 ☐ Overnight Tube 38" x 6" x 6" x 6" B ☐

STANDARD AIR
5 ☐ Delivery not later than second business day

SERVICE COMMITMENT

PRIORITY 1 - Delivery is scheduled early next business morning in most locations. It may take two or more business days if the destination is outside our primary service areas.

STANDARD AIR - Delivery is generally next business day or not later than second business day. It may take three or more business days if the destination is outside our primary service areas.

DELIVERY AND SPECIAL HANDLING
CHECK SERVICES REQUIRED

1 ☐ HOLD FOR PICK-UP (Give the Federal Express address where you want package held in Section H at right.)
2 ☑ DELIVER WEEKDAY
3 ☐ DELIVER SATURDAY (Extra charge applies.)
4 ☐ RESTRICTED ARTICLES SERVICE (P-1 and Standard Air Packages only. Extra charge applies.)
5 ☐ CONSTANT SURVEILLANCE SERVICE (CSS) (Extra charge applies.)
6 ☐ DRY ICE ________ Lbs.
7 ☐ OTHER SPECIAL SERVICE ________
8 ☐
9 ☐ SATURDAY PICK-UP OR SATURDAY DROP-OFF (Extra charge applies.)

PACKAGES	WEIGHT	YOUR DECLARED VALUE (See right)	OVER SIZE
Total	Total	Total	

Received At
Shipper's Door
☐ Regular Stop
☑ On-Call Stop
☐ FedEx Loc: ________

Federal Express Corp. Employee No [illegible]

Date/Time For Federal Express Use 2/24 1:30

YOUR DECLARED VALUE

DAMAGE OR LOSS

We are liable for no more than $100 per package in the event of physical loss or damage, unless you fill in a higher Declared Value to the left and document higher actual loss in the event of a claim. We charge 30¢ for each additional $100 of declared value up to the maximum shown in our Service Guide. Declared value restrictions are explained on the back of the Shipper's Copy of this airbill. We make no express or implied warranties.

DELAY

Though we have a reliable delivery or non-delivery in the event of a late delivery Federal Express will at your request, refund all transportation charges paid. See back of Shipper's Copy of this airbill for further information.

CONSEQUENTIAL DAMAGES

We will not be responsible or liable for any loss or damage resulting from delay, non-delivery or damage to a package, except as noted above. This includes loss of sales, income, interest, profits, attorneys fees and other costs, but is not limited to these items. Such damages are called "consequential damages."

Federal Express Use
Base Charges 14 90
Declared Value Charge
Origin Agent Charge
Other
Total Charges 14 90

PART
#2041738900
FEC-S-750-25
REVISION DATE
2.85
PRINTED U.S.A. NCR

SHIPPER'S COPY

Nicaraguan Humanitarian Assistance Office

LETTER OF COMMITMENT

VORTEX
6905 N.W. 43d Street
Miami, FL 33166

Date: April 30, 1986

Letter of Commitment No. NHAO - 610 - 007
Value: $ 95,474.26

Gentlemen:

1. At the request of the United Nicaraguan Opposition (UNO), the Nicaraguan Humanitarian Assistance Office ("NHAO"), acting for the United States of America, hereby guarantees to make payment to you in an amount not to exceed $ 95,474.26 for the purchase of the commodities and/or services listed in Paragraph 2 below. This guarantee is subject to your compliance with conditions hereinafter set forth.

2. The following commodities and/or services are eligible for financing : Per : Suppliers Proforma Invoices 6909 1B, 6909 1B, 6909 1C

   a. DESCRIPTION:

1) Ground services/flight organization	$19,594.26
2) Standby and air delivery	75,880.00

   b. DELIVERY TERMS:

3. Documentation required for payment:

   a Original Letter of Commitment, signed and dated.

   b. Original and two copies of Supplier's invoice.

   c. Copies of shipping documents or Purhaser's (UNO) acknowledgement of receipt of goods.

   d. One executed copy of Supplier's Certificate and Agreement with the Nicaraguan Humanitarian Assistance Office (attached).

   e. Information required for payment :.
   Electronic Fund Transfer Provide the nine (9) digit ABA number, bank name, city and state, and account name and number
   ABA NO. 067008414 . The Capitol Bank
   for the account of Vortex In
   Account No. 120000-1591

115/60062 - 2017 - 610007 - 010400 - 0000 - 2202 - 600000 - $95,474.26

4. Documents submitted for payment hereunder must be presented not later than May 15, 1986 to the Nicaraguan Humanitarian Assistance Office, Room 228, SA-6, Department of State, Washington, D.C. 20520.The Letter of Commitment Number must appear on all documents. (FOR EXPRESS MAIL SERVICE, send to NHAO, Room 228, 1701 N. Ft. Myer Dr. Arlington, VA. 22209)

5. Upon receipt of all documents specified in Paragraph 3, NAHO will initiate payment. Payment will not ordinarily exceed 7 working days, after receipt of the required documents.

6. Payment hereunder is contingent upon NHAO's written approval of any amendment to the purchase being financed hereunder which is negotiated after the date of issuance of this Letter. NHAO's approval will be indicated by the issuance of an amendment to this Letter of Commitment.

7. Funds due or to become due from NHAO under this Letter of Commitment may be assigned only in accordance with the provisions of the United States Code concerning Assignment of Claims (31 U.S.C. 3727 and 41 U.S.C. 15).

8. Pursuant to authority granted to NHAO by law, NHAO may deduct from and set off against payment specified in Paragraph 1 above any amounts owed by you to NHAO.

9. This letter of Commitment shall become effective upon your acceptance of the terms and conditions set forth above. Acceptance shall be indicated by signing and returning the enclosed original hereof, with the Documentation required for payment per paragraph 3 above, to the address indicated in Paragraph 4 above within two weeks from the date of this letter.

Sincerely yours,

R.W. Duemling

Robert W. Duemling
Director

Accepted: M. B. Palmer — Type name
VP — Position
M. B. Palmer — Signature
Date

SUPPLIER'S CERTIFICATE AND AGREEMENT WITH THE NICARAGUAN HUMANITARIAN ASSISTANCE OFFICE

Re: Letter of Commitment No. NHAO- 610 007
Invoice No. 6909-3A, 3B, 3C

The supplier hereby acknowledges that the sum indicated in the above referenced Invoice is claimed to be due and owing under the terms of a sale of commodities and/or services by the supplier to the United Nicaraguan Opposition as specified on the Invoice.

In consideration of the receipt of such sum, the supplier agrees with and certifies to the Nicaraguan Humanitarian Assistance Office ("NHAO") as follows:

1. The undersigned is the supplier of the commodities and/or services indicated on the Invoice, and is entitled to payment under the referenced Letter of Commitment, and is executing this Certificate of Agreement for the purpose of obtaining such payment.

2. To the best of the supplier's information and belief, the cost for the Invoiced commodities/services does not exceed his prevailing market price.

3. Commodities provided pursuant to the Invoice are of merchantable quality and are fit for the purpose intended.

4. The above-referenced Invoice accurately describes the commodities and/or services actually provided and the terms of the sale and delivery.

5. The supplier will, upon the request of NHAO, promptly make appropriate refund to NHAO, plus interest from the time of payment to the supplier, in the event of

(a) his non-performance, in whole or in part, of the terms of the Sale;

(b) any breach by him of any of his undertakings in this Certificate and Agreement, or

(c) any false certification or representation made by him in this Certificate and Agreement or in the Invoice furnished in connection with this transaction.

6. The supplier has not compensated any person to obtain the sale of the commodities/services to be provided pursuant to the Invoice.

7. The supplier will for a period of not less than three (3) years after the date hereof maintain all business records and other documents which bear on his compliance with any of the undertakings and certifications herein and will at any time requested by NHAO make such records and documents available to NHAO or its designee for examination.

The natural person who signs this Certificate and Agreement hereby certifies either that he is the supplier or that he has actual authority to sign on behalf of the supplier and to bind the supplier with regard to all certifications and agreements contained in this Certificate and Agreement.

M. B. Palmer VP
(Name and Title of Authorized Signer)

M. B. Palmer
(Signature)

April 30, 1986
(Date)

Miami, Florida
(Place executed)

Better Service, Inc.
The Professional's Speed - Printer
255 ALHAMBRA CIRCLE • SUITE 317 • CORAL GABLES, FL 33134
(305) 446-0324 — 446-9039 — 446-3201

INVOICE
NO. № 3054
DATE 3-13-86
YOUR ORDER NO.

SOLD TO
VORTEX INC
6905 NW. 43 rd st. Miami, Fla. 33166
592 5001

SHIPPED TO

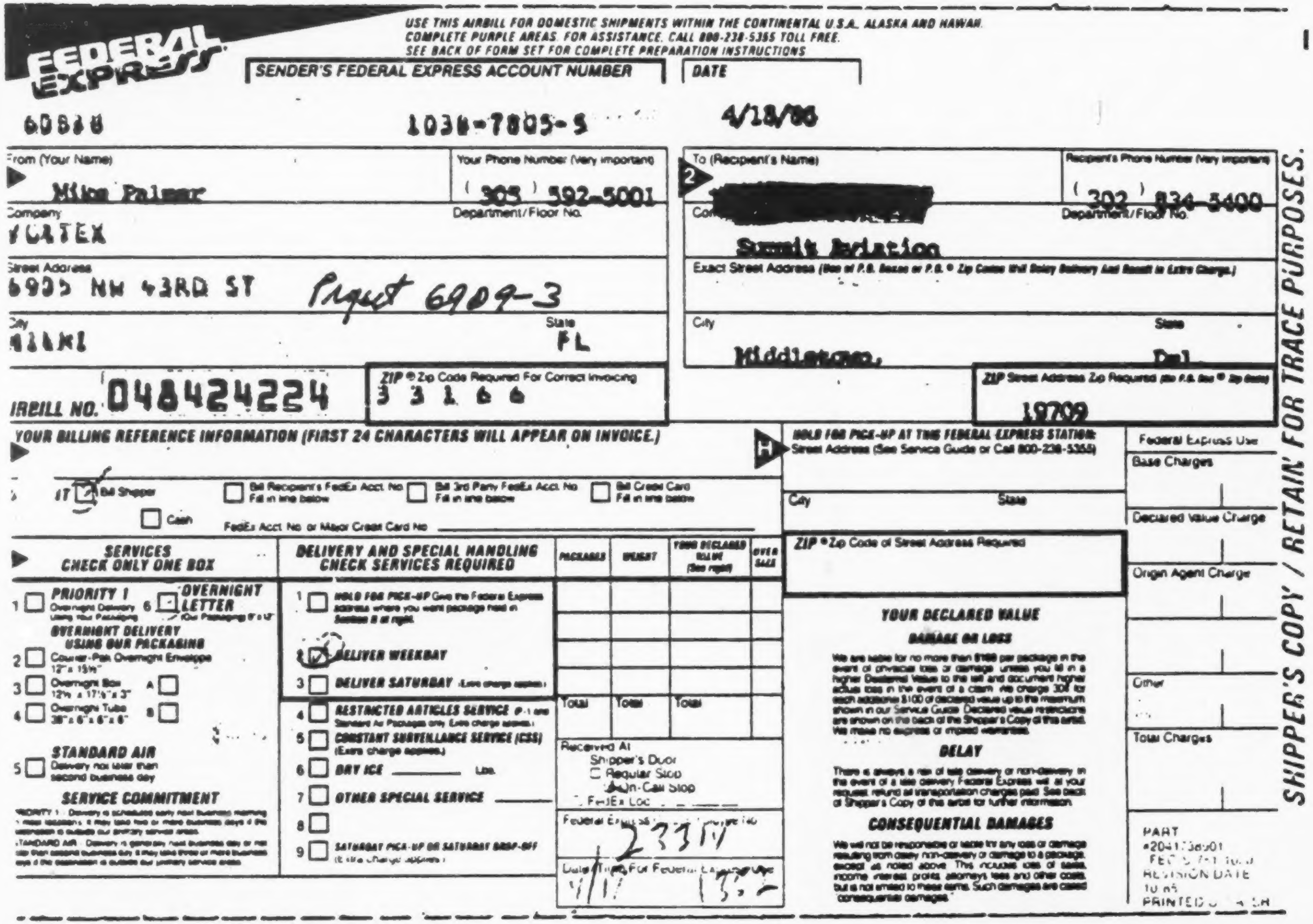
OUR ORDER NO.	SALESMAN	TERMS	F.O.B.	DATE SHIPPED	SHIPPED VIA
527		NET CASH			

QUANTITY ORDERED	QUANTITY SHIPPED	STOCK NUMBER/DESCRIPTION	UNIT PRICE	UNIT	AMOUNT
1 set	1 set	Copies from 905 original printing two sides collatin and drill three holds			
		Reductions			120. 0
		Bindery			10. 0
		TOTAL DUE			130. 0

TAX EXEMPTION 23-11-168-781-80

Paid Cash Mike Palmer
Project #6909-3

1½% SERVICE CHARGE
PER MONTH ON UN-PAID BALANCE
AFTER 30 DAYS



FEDERAL EXPRESS

USE THIS AIRBILL FOR DOMESTIC SHIPMENTS WITHIN THE CONTINENTAL U.S.A., ALASKA AND HAWAII.
COMPLETE PURPLE AREAS. FOR ASSISTANCE, CALL 800-238-5355 TOLL FREE.
SEE BACK OF FORM SET FOR COMPLETE PREPARATION INSTRUCTIONS

60838

SENDER'S FEDERAL EXPRESS ACCOUNT NUMBER: 1036-7805-5
DATE: 4/18/86

From (Your Name): Mike Palmer
Your Phone Number (Very important): (305) 592-5001
Company: VORTEX
Department/Floor No.
Street Address: 6905 NW 43RD ST
Project 6909-3
City: MIAMI
State: FL
ZIP® Zip Code Required For Correct Invoicing: 33166

AIRBILL NO. 048424224

To (Recipient's Name): [redacted]
Recipient's Phone Number (Very important): (302) 834-5400
Company: Summit Aviation
Department/Floor No.
Exact Street Address (Use of P.O. Boxes or P.O.® Zip Codes Will Delay Delivery And Result in Extra Charge.)
City: Middletown,
State: Del
ZIP Street Address Zip Required (Not P.O. Box® Zip Code): 19709

YOUR BILLING REFERENCE INFORMATION (FIRST 24 CHARACTERS WILL APPEAR ON INVOICE.)

☑ Bill Shipper
☐ Cash
☐ Bill Recipient's FedEx Acct. No. Fill in line below
☐ Bill 3rd Party FedEx Acct. No. Fill in line below
☐ Bill Credit Card Fill in line below
FedEx Acct. No. or Major Credit Card No. ______

HOLD FOR PICK-UP AT THIS FEDERAL EXPRESS STATION: Street Address (See Service Guide or Call 800-238-5355)
City
State
ZIP® Zip Code of Street Address Required

SERVICES
CHECK ONLY ONE BOX

1 ☐ PRIORITY 1 Overnight Delivery Using Your Packaging
6 ☑ OVERNIGHT LETTER (Our Packaging 9" x 12")

OVERNIGHT DELIVERY USING OUR PACKAGING
2 ☐ Courier-Pak Overnight Envelope 12" x 15½"
3 ☐ Overnight Box 12¾" x 17½" x 3"
A ☐
4 ☐ Overnight Tube 38" x 6" x 6" x 6"
B ☐

STANDARD AIR
5 ☐ Delivery not later than second business day

SERVICE COMMITMENT

DELIVERY AND SPECIAL HANDLING
CHECK SERVICES REQUIRED

1 ☐ HOLD FOR PICK-UP Give the Federal Express address where you want package held in Section H at right.
2 ☑ DELIVER WEEKDAY
3 ☐ DELIVER SATURDAY (Extra charge applies.)
4 ☐ RESTRICTED ARTICLES SERVICE (P-1 and Standard Air Packages only. Extra charge applies.)
5 ☐ CONSTANT SURVEILLANCE SERVICE (CSS) (Extra charge applies.)
6 ☐ DRY ICE ______ Lbs.
7 ☐ OTHER SPECIAL SERVICE ______
8 ☐
9 ☐ SATURDAY PICK-UP OR SATURDAY DROP-OFF (Extra charge applies.)

PACKAGES	WEIGHT	YOUR DECLARED VALUE (See right)	OVER SIZE
Total	Total	Total	

Received At
Shipper's Door
☐ Regular Stop
☑ On-Call Stop
☐ FedEx Loc. ______

Federal Express Employee No.: 23314

Date/Time For Federal Express Use: 4/17 1532

YOUR DECLARED VALUE

DAMAGE OR LOSS

We are liable for no more than $100 per package in the event of physical loss or damage unless you fill in a higher Declared Value to the left and document higher actual loss in the event of a claim. We charge 30¢ for each additional $100 of declared value up to the maximum shown in our Service Guide. Declared value restrictions are shown on the back of the Shipper's Copy of this airbill. We make no express or implied warranties.

DELAY

There is always a risk of late delivery or non-delivery. In the event of a late delivery Federal Express will, at your request, refund all transportation charges paid. See back of Shipper's Copy of this airbill for further information.

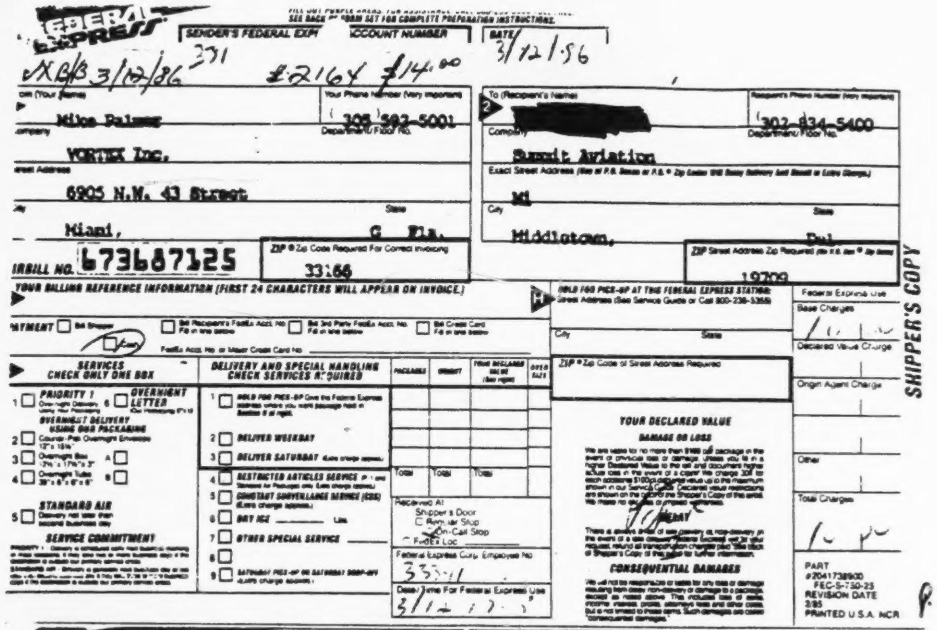
CONSEQUENTIAL DAMAGES

We will not be responsible or liable for any loss or damage resulting from delay, non-delivery or damage to a package, except as noted above. This includes loss of sales, income, interest, profits, attorney's fees and other costs, but is not limited to these items. Such damages are called "consequential damages."

Federal Express Use
Base Charges
Declared Value Charge
Origin Agent Charge
Other
Total Charges

PART #2041?36501
REVISION DATE 10/85
PRINTED

SHIPPER'S COPY / RETAIN FOR TRACE PURPOSES.



FEDERAL EXPRESS

SEE BACK OF FORM SET FOR COMPLETE PREPARATION INSTRUCTIONS.

SENDER'S FEDERAL EXP ACCOUNT NUMBER

DATE 3/12/86

NXB/B 3/12/86 331 £2164 $14.00

From (Your Name) Mike Palmer
Your Phone Number (Very Important) (305) 592-5001
Company VORTEX Inc.
Department/Floor No.
Street Address 6905 N.W. 43 Street
City Miami, State G Fla.
ZIP Zip Code Required For Correct Invoicing 33166

AIRBILL NO. 673687125

To (Recipient's Name) [redacted]
Recipient's Phone Number (Very Important) (302-834-5400
Company Summit Aviation
Department/Floor No.
Exact Street Address Rt
City Middletown, State Del
ZIP Street Address Zip Required 19709

YOUR BILLING REFERENCE INFORMATION (FIRST 24 CHARACTERS WILL APPEAR ON INVOICE.)

PAYMENT ☐ Bill Shipper ☐ Bill Recipient's FedEx Acct. No. ☐ Bill 3rd Party FedEx Acct. No. ☐ Bill Credit Card ☐ Cash

FedEx Acct. No. or Major Credit Card No.

HOLD FOR PICK-UP AT THIS FEDERAL EXPRESS STATION: Street Address (See Service Guide or Call 800-238-5355)
City State
ZIP Zip Code of Street Address Required

SERVICES CHECK ONLY ONE BOX
1 ☐ PRIORITY 1
6 ☐ OVERNIGHT LETTER
OVERNIGHT DELIVERY USING OUR PACKAGING
2 ☐ Courier-Pak Overnight Envelope
3 ☐ Overnight Box
A ☐
4 ☐ Overnight Tube
B ☐
STANDARD AIR
5 ☐ Delivery not later than second business day
SERVICE COMMITMENT

DELIVERY AND SPECIAL HANDLING CHECK SERVICES REQUIRED
1 ☐ HOLD FOR PICK-UP
2 ☐ DELIVER WEEKDAY
3 ☐ DELIVER SATURDAY
4 ☐ RESTRICTED ARTICLES SERVICE
5 ☐ CONSTANT SURVEILLANCE SERVICE (CSS)
6 ☐ DRY ICE _____ Lbs.
7 ☐ OTHER SPECIAL SERVICE
8 ☐
9 ☐ SATURDAY PICK-UP OR SATURDAY DROP-OFF

PACKAGES WEIGHT YOUR DECLARED VALUE OVER SIZE
Total Total Total

Received At
Shipper's Door
☐ Regular Stop
☒ On-Call Stop
☐ FedEx Loc.

Federal Express Corp. Employee No. 335-11
Date/Time For Federal Express Use 3/12 17:5

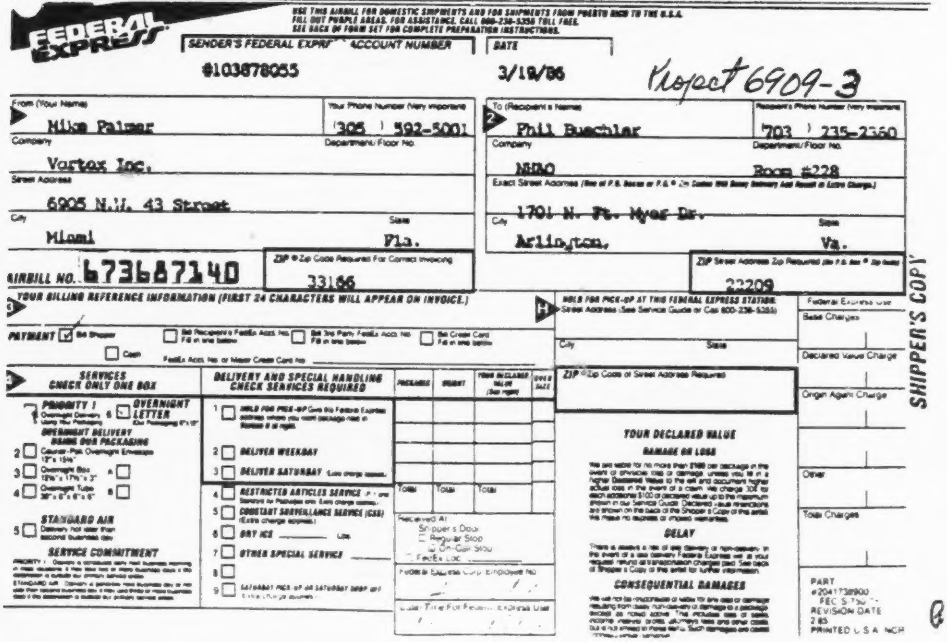
YOUR DECLARED VALUE
DAMAGE OR LOSS
DELAY
CONSEQUENTIAL DAMAGES

Federal Express Use
Base Charges 14.00
Declared Value Charge
Origin Agent Charge
Other
Total Charges 14.00

PART #2041738900 FEC-S-750-25 REVISION DATE 2/85 PRINTED U.S.A. NCR

SHIPPER'S COPY

P.



FEDERAL EXPRESS

USE THIS AIRBILL FOR DOMESTIC SHIPMENTS AND FOR SHIPMENTS FROM PUERTO RICO TO THE U.S.A.
FILL OUT PURPLE AREAS. FOR ASSISTANCE, CALL 800-238-5355 TOLL FREE.
SEE BACK OF FORM SET FOR COMPLETE PREPARATION INSTRUCTIONS.

SENDER'S FEDERAL EXPRESS ACCOUNT NUMBER #103878055

DATE 3/19/86

Project 6909-3

From (Your Name) Mike Palmer
Your Phone Number (Very Important) (305) 592-5001
Company Vortex Inc.
Department/Floor No.
Street Address 6905 N.W. 43 Street
City Miami State Fla.
ZIP Zip Code Required For Correct Invoicing 33166

AIRBILL NO. 673687140

To (Recipient's Name) Phil Buechler
Recipient's Phone Number (Very Important) (703) 235-2360
Company NHAO
Department/Floor No. Room #228
Exact Street Address 1701 N. Ft. Myer Dr.
City Arlington, State Va.
ZIP Street Address Zip Required 22209

YOUR BILLING REFERENCE INFORMATION (FIRST 24 CHARACTERS WILL APPEAR ON INVOICE.)

PAYMENT ☑ Bill Shipper ☐ Bill Recipient's FedEx Acct. No. ☐ Bill 3rd Party FedEx Acct. No. ☐ Bill Credit Card ☐ Cash

FedEx Acct. No. or Major Credit Card No.

HOLD FOR PICK-UP AT THIS FEDERAL EXPRESS STATION: Street Address (See Service Guide or Call 800-238-5355)
City State
ZIP Zip Code of Street Address Required

SERVICES CHECK ONLY ONE BOX
1 PRIORITY 1
6 ☑ OVERNIGHT LETTER
OVERNIGHT DELIVERY USING OUR PACKAGING
2 ☐ Courier-Pak Overnight Envelope
3 ☐ Overnight Box
A ☐
4 ☐ Overnight Tube
B ☐
STANDARD AIR
5 ☐ Delivery not later than second business day
SERVICE COMMITMENT

DELIVERY AND SPECIAL HANDLING CHECK SERVICES REQUIRED
1 ☐ HOLD FOR PICK-UP
2 ☐ DELIVER WEEKDAY
3 ☐ DELIVER SATURDAY
4 ☐ RESTRICTED ARTICLES SERVICE
5 ☐ CONSTANT SURVEILLANCE SERVICE (CSS)
6 ☐ DRY ICE _____ Lbs.
7 ☐ OTHER SPECIAL SERVICE
8 ☐
9 ☐ SATURDAY PICK-UP OR SATURDAY DROP-OFF

PACKAGES WEIGHT YOUR DECLARED VALUE OVER SIZE
Total Total Total

Received At
Shipper's Door
☐ Regular Stop
☐ On-Call Stop
☐ FedEx Loc.

Federal Express Corp. Employee No.
Date/Time For Federal Express Use

YOUR DECLARED VALUE
DAMAGE OR LOSS
DELAY
CONSEQUENTIAL DAMAGES

Federal Express Use
Base Charges
Declared Value Charge
Origin Agent Charge
Other
Total Charges

PART #2041738900 FEC-S-750 REVISION DATE 2/85 PRINTED U.S.A. NCR

SHIPPER'S COPY

512

March 28, 1986

TO Michael B Baker

FOR 6909-3 Geo

DEPOSITS

TOTAL	
THIS CHECK	300 –

515

March 28, 1986

TO Tom Brignac

FOR Project 6909-3

DEPOSITS

TOTAL	
THIS CHECK	200 –
BALANCE	

9-84

6

1487

BAL BRO'T FOR'D

March 21 1986

TO John Searle

FOR Project 6909-3

DEPOSITS

TOTAL	
THIS CHECK	450 –

Nicaraguan Humanitarian Assistance Office

LETTER OF COMMITMENT

Date: May 19, 1986

VORTEX, Inc.
6905 N.W. 43d Street
Miami, FL 33166

Letter of Commitment No. NHAO - 610 - 023
Value: $ 14,669.45

Gentlemen:

1. At the request of the United Nicaraguan Opposition (UNO), the Nicaraguan Humanitarian Assistance Office ("NHAO"), acting for the United States of America, hereby guarantees to make payment to you in an amount not to exceed $14,669.45 for the purchase of the commodities and/or services listed in Paragraph 2 below. This guarantee is subject to your compliance with conditions hereinafter set forth.

2. The following commodities and/or services are eligible for financing : Per : Proforma 6909-1A of Feb 21, 1986, 6909-1C of Feb 21 and May 1, 1986

a. DESCRIPTION:
   1) Air Charter Services of a DC-6, 1 round-trip to Central America @ $9600.00
   2) Ground Services and product preparation @ $4,869.45

b. DELIVERY TERMS: To be scheduled by NHAO

3. Documentation required for payment:

a Original Letter of Commitment, signed and dated.

b. Original and two copies of Supplier's invoice.

c. Copies of shipping documents or Purhaser's (UNO) acknowledgement of receipt of goods.

d. One executed copy of Supplier's Certificate and Agreement with the Nicaraguan Humanitarian Assistance Office (attached).

e. Information required for payment :.
Electronic Fund Transfer Provide the nine (9) digit ABA number, bank name, city and state, and account name and number
ABA No. 067008414

The Capital Bank of Miami

Vortex, Inc. Account 1200001591

4. Documents submitted for payment hereunder must be presented not later than May 23, 1986 to the Nicaraguan Humanitarian Assistance Office, Room 228, SA-6, Department of State, Washington, D.C. 20520.The Letter of Commitment Number must appear on all documents. (FOR EXPRESS MAIL SERVICE, send to NHAO, Room 228, 1701 N. Ft. Myer Dr. Arlington, VA. 22209)

5. Upon receipt of all documents specified in Paragraph 3, NAHO will initiate payment. Payment will not ordinarily exceed 7 working days, after receipt of the required documents.

6. Payment hereunder is contingent upon NHAO's written approval of any amendment to the purchase being financed hereunder which is negotiated after the date of issuance of this Letter. NHAO's approval will be indicated by the issuance of an amendment to this Letter of Commitment.

7. Funds due or to become due from NHAO under this Letter of Commitment may be assigned only in accordance with the provisions of the United States Code concerning Assignment of Claims (31 U.S.C. 3727 and 41 U.S.C. 15).

8. Pursuant to authority granted to NHAO by law, NHAO may deduct from and set off against payment specified in Paragraph 1 above any amounts owed by you to NHAO.

9. This letter of Commitment shall become effective upon your acceptance of the terms and conditions set forth above. Acceptance shall be indicated by signing and returning the enclosed original hereof, with the Documentation required for payment per paragraph 3 above, to the address indicated in Paragraph 4 above within two weeks from the date of this letter.

Sincerely yours,

RW Duemling

Robert W. Duemling
Director

Accepted: M. B. Palmer — VP
Type name — Position

M. B Palmer — 5-13-86
Signature — Date

SUPPLIER'S CERTIFICATE AND AGREEMENT WITH THE NICARAGUAN HUMANITARIAN ASSISTANCE OFFICE

Re: Letter of Commitment No. NHAO-610-023
Invoice No. Proforma 6909-1A of 2/21/86, 6909-1C of 2/21 & 5/1/86

The supplier hereby acknowledges that the sum indicated in the above referenced Invoice is claimed to be due and owing under the terms of a sale of commodities and/or services by the supplier to the United Nicaraguan Opposition as specified on the Invoice.

In consideration of the receipt of such sum, the supplier agrees with and certifies to the Nicaraguan Humanitarian Assistance Office ("NHAO") as follows:

1. The undersigned is the supplier of the commodities and/or services indicated on the Invoice, and is entitled to payment under the referenced Letter of Commitment, and is executing this Certificate of Agreement for the purpose of obtaining such payment.

2. To the best of the supplier's information and belief, the cost for the Invoiced commodities/services does not exceed his prevailing market price.

3. Commodities provided pursuant to the Invoice are of merchantable quality and are fit for the purpose intended.

4. The above-referenced Invoice accurately describes the commodities and/or services actually provided and the terms of the sale and delivery.

5. The supplier will, upon the request of NHAO, promptly make appropriate refund to NHAO, plus interest from the time of payment to the supplier, in the event of

(a) his non-performance, in whole or in part, of the terms of the Sale;

(b) any breach by him of any of his undertakings in this Certificate and Agreement, or

(c) any false certification or representation made by him in this Certificate and Agreement or in the Invoice furnished in connection with this transaction.

6. The supplier has not compensated any person to obtain the sale of the commodities/services to be provided pursuant to the Invoice.

7. The supplier will for a period of not less than three (3) years after the date hereof maintain all business records and other documents which bear on his compliance with any of the undertakings and certifications herein and will at any time requested by NHAO make such records and documents available to NHAO or its designee for examination.

The natural person who signs this Certificate and Agreement hereby certifies either that he is the supplier or that he has actual authority to sign on behalf of the supplier and to bind the supplier with regard to all certifications and agreements contained in this Certificate and Agreement.

M. B. Palmer VP
(Name and Title of Authorized Signer)

M. B. Palmer 5 13-86
(Signature) (Date)

Miami, Florida
(Place executed)

```
          0.CA

       93.00+
       46.50+
       10.00+
303
      149.50 *

       149.5×
         1.25=
      186.87
```

Government of
the Cayman Islands.

10A № 552377 (33)

$	¢	
149	. 50	CC
186	. 87	US

CAYMAN ISLANDS

08 - FEB 19 86

CIVIL AVIATION Department.

RECEIVED From WORLDWIDE AIR

The sum of ONE HUNDRED AND FORTY NINE DOLLARS and 50/100 — *being* FEES FOR N48216 /DC4

LANDING 93.00

50% PARK. HRS 46.50

ARR. 08-02-86 NAVIGATION 10.00

Head of Receipt ______ *~~Sub-Head of~~ Receipt* 149.50

TOTAL

~~Treasurer~~

ATCO

Port Disinsection

No. 28846..

RECEIVED from N48216
the sum of Eleven Dollars fifty Cents
being for Port Disinsection service/s A. Space Spray H2
B. ...... *C.* ...... *D.* ......
Total $11.50

E.G. Hicks
Port Disinsection Officer

MOSQUITO RESEARCH & CONTROL UNIT

No. 28846

Cayman Islands Government

PORT DISINSECTION

Operator E.G. Hicks

Date Feb 7/86
Time 7.25 P.m

Nature of Service (mark where appropriate)

			Fee
A. Space Spray	**1. Light aircraft**		
	2. Heavy aircraft N48216		$6.00
	3. Small ships & sloops		
	4. Large ships a) accommodation		
	b) holds		
B. Residual Spray	**1. Small ships**		
	2. Large ships		
	3. Plants		
	4. Others		
C. Vapona			
D. Overtime	Friday night		$5.50
		Total: $	11.50

Owner or agent responsible R. Tupper

11/

TEXACO CARIBBEAN INC.
P.O.BOX 704, GEORGE TOWN,
GRAND CAYMAN

№ 040730

Feb 7th 1986

CUSTOMER NAME AND ADDRESS
World Wide Air
6905 NW 43 St. Miami, FL
N48216

DELIVERY ADDRESS

TEXACO

TERMINAL G.C.M 1/10	TERMS: CASH / CREDIT	CUSTOMER ORDER NO.	DELIVERY UNIT P. Pump #5

TEXACO REFINED PRODUCTS U.S.G.	PRODUCT BRAND	IG GALLONS DELIVERED	PRICE PER GALLON	AMOUNT	
Aviation Gasolene 100 Octane 1000	322	1731.9	2.08	US$ 2080	00
Sky Chief Gasolene	336				
Kerosene Oil	422				
Gas Oil	860				
AvJet Fuel A-1	407				

TEXACO PACKAGED PRODUCTS	PRODUCT	PACKAGE		QUANTITY		PRICE PER GAL. PER CASE PER LB.	AMOUNT	
	Brand	Kind	No.	U.S. Gals/Lbs.	IMP. Gals.			
F-6065816								
S-6064816								
1000								
PRICES SUBJECT TO CHANGE WITHOUT NOTICE						TOTAL $	CI$ 1747	20

VERY AUTHORIZED BY

GOODS RECEIVED IN GOOD CONDITION

PAYMENT RECEIVED

FOR TEXACO CARIBBEAN INC

CI $ 1747.20 TOTAL $ 1747.20 CASH $ ______ CHEQUES $ ______ OTHER

Do Not Destroy This Is Your Invoice

CAYMAN ISLANDS
DEPARTMENT OF CIVIL AVIATION
(AIR TRAFFIC SERVICES).

DATE ____________

FLIGHT PLAN

PRIORITY INDICATOR

ADDRESSEE(S) INDICATOR(S) ⟪≡

FILING TIME

ORIGINATOR INDICATOR ⟪≡

SPECIFIC INDENTIFICATION OF ADDRESSEE(S) AND/OR ORIGINATOR

3 DESCRIPTION — 7 AIRCRAFT IDENTIFICATION & SSR DATA — 8 FLIGHT RULES AND TYPE OF FLIGHT

⟪≡(FPL — N[illegible] — I G ⟪≡

9 NUMBER AND TYPE OF AIRCRAFT AND WAKE TURBULENCE CATEGORY — 10 EQUIPMENT COM/NAV/APP SSR

— C-[illegible] — SSC/ ⟪≡

13 AERODROME OF DEPARTURE — TIME — FIR BOUNDARIES & ESTIMATED TIMES

— M[illegible] 03:10 → [redacted] NHTG 03:30 [redacted] MUHH
05:18 KMIA 06:30 ⟪≡

15 SPEED LEVEL ROUTE DANJL A9

— 0160FL100 → R640 SINLA B764 VINKA
B646 EYW RV CKK

17 AERODROME OF DESTINATION TIME — ALTERNATE AERODROME(S)

— KMI[illegible] 07:42 → KFLL ⟪≡

18 OTHER INFORMATION

— ADCUS

)⟪≡

19 SUPPLEMENTARY INFORMATION

ENDURANCE — PERSONS ON BOARD — EMERGENCY & SURVIVAL EQUIPMENT

– FUEL/ 7:15 → POB/ 6 → RDO/121.5 → [redacted]

EQUIPMENT — LIFE JACKETS L Y — FREQUENCY

POLAR → DESERT → [✓ MARITIME] → JUNGLE → [✓ JACKETS] → [✓ LIGHT] → [✓ FLUORESCEIN] →

DINGHIES 1 — COLOUR Y — NUMBER — TOTAL CAPACITY 6 — OTHER EQUIPMENT

DINGHIES → COVER → RMK/)⟪≡

A.T.C.O./A.I.S.O.	Name of Pilot-in-Command	Signature of Pilot-in-Command or authorized representative

OPERATOR'S ADDRESS 6305 NW 43 St. Miami, FLA.

Hotel Royal Abacoa 9/

FACTURA Nº 09552

FEB.

FECHA

HABITACION No. **VALOR $** 8.500

FIRMA HUESPED R Lippert #215

NOMBRE HUESPED

5239 0000 0242 1008 Emisor

Comprobante de Venta 5-9776354

1046 SSI 06/86

Número de Tarjeta Vence

RONALD P LYPPERT

Nombre Socio

C-230573 6 HOTEL ROYAL
C-023028040 6 ABACOA
8-96 990719 13 SAN ANDRES
C0-097315 6

Credencial MasterCard

Banco de Occidente Nit. 90.300.279

Ciudad	Día	Mes	Año	No. Autorización
	6	2	86	

Uso Excl. Credencial

5920,00

Cheque

Factura Socio

Compras o Consumos	16.614,85
Propinas	
Total	$ 16.614,85

Firma R Lippert

CC

Valor en letras diecisies mil seis cientos catorce pesos con 85/100

HOTEL Royal Abacoa

5:40
5:48

Nº 1992

Llamadas larga distancia

Solicitante Sr.(a) Lippert Ronald Hab. 215

Indicativo 305. Tel. 5925001

Ciudad Miami País EEUU.

8 Minutos $

Recargo $

Valor Total $ 2.399 85

Huéspedes ☐
Efectivo ☐
Particulares ☐

Operadora Eff. Fecha feb 6/86

GRUPO MIAMI
211-207-215-209-114-208

HOTEL
Royal Abacoa
Apartado Aereo No 16
San Andres Isla - Colombia
Tels 8313 - 55 85 - 57 57

Nº 7754

Nombre

Habitación ______ Registro No. ______

Fecha llegada 06-02-86 Fecha salida 07-02-86

MEMO.		FECHA DATE	CONCEPTO EXPLANATION	DEBITOS AMT. CHARGED	CREDITOS AMT. CREDIT	SALDO BALANCE DUE
	1					
	2	FEB-6 86	ROOM	A4,350.00 ✓		
	3	FEB-6 86	TAX	A1,245.00 ✓		
	4	FEB-6 86	MISC.	A*120.00 ✓		
	5	FEB-6 86	RESTR	A3,500.00		
	6	FEB-6 86	LDIST	A2,500.00		*16,614.35
	7					
	8					
	9					
	10					
211 4.145	11					
207 4.145	12					
215 4.145	13					
209 4.145	14					
114 4.145	15					
208 4.145	16					
	17					
	18					
	19					
	20					
	21					
	22					
	23					
	24					

Entiendo que mi responsabilidad por esta cuenta sigue vigente y me hago personalmente responsable en el caso que la persona, compañia, o asociacion indicada dejase de pagar parcial o totalmente la suma de los cargos alli especificados

I agree that my liability for this bill is not waived and agree to be held personally liable in the event that the indicated person, company or association fails to pay for any part or the full amount of these charges.

FIRMA SIGNATURE ______

CARGAR A CHARGE TO ______

DIRECCION ADDRESS ______

CIUDAD CITY ______ ESTADO STATE ______

Vortex
Aircraft Sales and Leasing

NEW ADDR

5245 N.W. 36th Street • Suite 201 •

Pro-formas

Mr. Mario Calero
UNO-FDN Supply Liaison Officer
P.O. Box 952
Kenner, Louisiana 70063

Ref: Pro-forma Invoice #6909-1B

Dear Mr. Calero:

As per your request below are quoted the services you requested.

Domestic Cargo Air Charter

1. DC-4 (20,000# payload) @ $985.00 per block hour.

2. DC-6A/B (30,000# payload) @ $1,375.00 per block hour.

Price includes the following:

1. Aircraft
2. Crew
3. Maintenance
4. Insurance
5. Fuel at Miami fuel price $1.30 per gallon*.
6. Oil at Miami oil price $3.95 per gallon*.
7. Flight Dispatching & flight planning
8. Miami airport ramp fees for unloading.
9. Miami landing fees.

Not included in the above quoted price is the following:

1. Aircraft loading & unloading.
2. Ground freight delivery.
3. *Any fuel purchased at points other than Miami at prices greater than $1.30 for fuel and $3.95 per gallon for oil. The difference in prices will be paid by the charterer.
4. Any other charges not listed which might come up such as special landing fees, towing, parking, etc.

Truly yours.

VORTEX, INC.

M. B. Palmer

Mchael B. Palmer
Vice President

February 21, 1986

Mr. Mario Calero
UNO-FDN Supply Liaison Officer
P.O. Box 952
Kenner, Louisiana 70063

Ref: Pro-froma invoice #6909-1A

Dear Mr. Calero:

Per your request we are in a position to offer you ground services for for the receiving and preparation of dry goods for air delivery.

The price and the specific required services you requested on 11 February, 1986 are as follows:

PART I.

1. Airport pick up of goods located at Southern Air, Flying Tigers, Delta and Emery Air Freight and delivery to assebly area.
2. Labor for un packing original containers and re-packing into special containers.
3. Labor for preparation of Alice Packs.
4. Storage of Cargo.
5. Trucking Labor
6. Documentation.
7. Communication.
8. Off-loading & Loading at assembly area.
9. Off-loading & loading at aircraft.
10. Cargo security and inbound shipper coordination.
11. Airport delivery of cargo.
12. Pre and post delivery inventory of goods received and processed.

Total at .5247¢ per pound of goods processed and prepared.

Other services and materials you requested and not listed above shall be additionally invoiced with corresponding back up receipts.

These services & materials include but are not limited to the following:

1. Payment of inbound shippers
2. Truck rental
3. Assembly Area rental
4. Special packing containers
5. Egress hardware.

Total cost of this first movement per this invoice is estimated not to exceed $19,000.00.-

Cargo insurance is the responsibility of the shipper.

This offer is valid for 30 days.

Truly yours.

VORTEX, INC.

M. B. Palmer

Michael B. Palmer
Vice President

February 21, 1986

Mr. Mario Calero
UNO-FDN Supply Liaison Officer
P.O. Box 952
Kenner, Louisiana 70063

Ref: Pro-forma invoice #6909-1C

Dear Mr. Calero:

Per your request below are quoted prices for air delivery of goods to Central America and associated services.

(15 hrs)

1) DC-4 @ $2.45 per pound, of capacity. 20,000#is max. capacity. $49,000.00 per trip

2) DC-6 @ $2.25 per pound, of capacity. 25,000#is max. capacity. $56,250.00 per trip.

3) DC-6A/B @ $2.15 per pound, of capacity. 30,000#is max. capacity. 64,500.00 per trip

Price includes the following:

1) Aircraft
2) Crew of six (6) persons on DC-4 and crew of seven (7) on DC-6's
3) Normal maintenance (3 hours per flight hour).
4) Aircraft insurance
5) Fuel at Miami price of $1.30 per gallon*
6) Oil at Miami price of $3.95 per gallon*
7) Over flight permits where applicable
8) Special Customs clearences
9) Airwaybill and cargo manifest preparation
10) Flight planning
11) Flight dispatching
12) Crew special duty over ride
13) Miami landing fees
14) Air communications and coordination
15) Airport fees for aircraft ramp storage and cargo loading for one day.
16) Crew meals and survival gear.

Not included in the above quoted price is the following:

1) Aircraft standby time beyond one day at $850.00 per day
2) Crew standy time beyond one day at $480.00 per day
3) Any abnormal maintenance as a direct result of these flights @ $30.00 per man/hour plus parts.
4) Installation of any required special equipment at the following rates:

   A) Mechanical or sheet metal @$30.00 per man/hour plus parts.
   B) Radio at $40.00 per man/hour plus parts.

5) *Any fuel and oil purchased at points other than Miami at prices greater than $1.30 per gallon. The difference in fuel price will be paid by the charterer.

6) Off-schedule landing fees or bonding fees will be billed separately by receipt.

Cargo insurance is the responsibility of the shipper. This offer is valid for thirty (30) days.

Truly yours.

VORTEX, INC.

M. B. Palmer

Michael B. Palmer
Vice president